Public Accounts

of the province of

Prince Edward Island

Volume I - Financial Statements

For the Year Ended March 31st

2002

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Prince Edward Island

Volume I - Financial Statements

For the Year Ended March 31st

2002

103-02553/

To His Honour
The Honourable J. Léonce Bernard
Lieutenant-Governor of the Province of
Prince Edward Island

May It Please Your Honour:

The undersigned has the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2002.

Respectfully submitted,

Patricia J. Mella

Hon. Patricia J. Mella
Provincial Treasurer

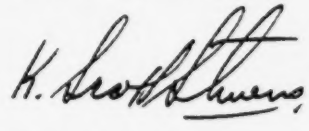
Office of the Provincial Treasurer
Charlottetown, Prince Edward Island

To the Honourable Patricia J. Mella
Provincial Treasurer

Madame:

I have the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2002.

Respectfully submitted,



K. Scott Stevens, C.G.A.
Comptroller

Office of the Comptroller
Charlottetown, Prince Edward Island

Province of Prince Edward Island

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For the Fiscal Year Ended March 31, 2002

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Introduction

The consolidated summary financial statements of the Province of Prince Edward Island are presented through the publication of the Public Accounts, Volume I. These statements consolidate the financial statements of the Province's Operating Fund with the financial statements of Agencies, Boards and Crown Corporations owned or controlled by the Province of Prince Edward Island.

The consolidated financial statements, and Operating Fund financial statements, are prepared on the accrual basis of accounting in accordance with recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Other significant accounting policies used by the Province are described in the Notes to Financial Statements. The statements are prepared by the Comptroller and are audited by the Auditor General, who presents an annual report to the Legislative Assembly on the results of his audit. Comparisons of consolidated revenues and expenditures are not made to the Province's Estimates as budget figures on a consolidated basis are not available.

The Public Accounts for the Year Ended March 31, 2002 consists of two volumes:

Volume I - Financial Statements presents the audited consolidated financial statements of the Provincial reporting entity as described in Note 1 to the financial statements as well as the audited financial statements of the Operating Fund.

Volume II - Details of Revenues and Expenditures and Financial Statements of Agencies and Crown Corporations presents the unaudited details of revenues and expenditures of the Operating Fund on a basis consistent with the Estimates of the Province as well as a reproduction of the audited financial statements of the Agencies, Boards and Crown Corporations owned or controlled by the Province. Volume II can be ordered through the Province's website.

The Public Accounts of the Province are tabled in the Legislative Assembly in accordance with Section 61 of the Financial Administration Act.

Internet Address - Volumes I and II of the Public Accounts are available on the Province's Website at:

http://www.gov.pe.ca/publications

Government of the Province of Prince Edward Island

Statement of Responsibility

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared by the Comptroller in accordance with the stated accounting policies of the Government. These summary financial statements include a statement of cash flows, accounting policies and notes and schedules integral to the statements. Together, they present fairly, in all material respects the Government's financial condition at the fiscal year end and results of operations for the year then ended. More detailed information regarding the Government's financial position and operating results can be found in other sections of either Volume I or II.

On behalf of the Government

Hon. Patricia J. Mella
Provincial Treasurer

December, 2002

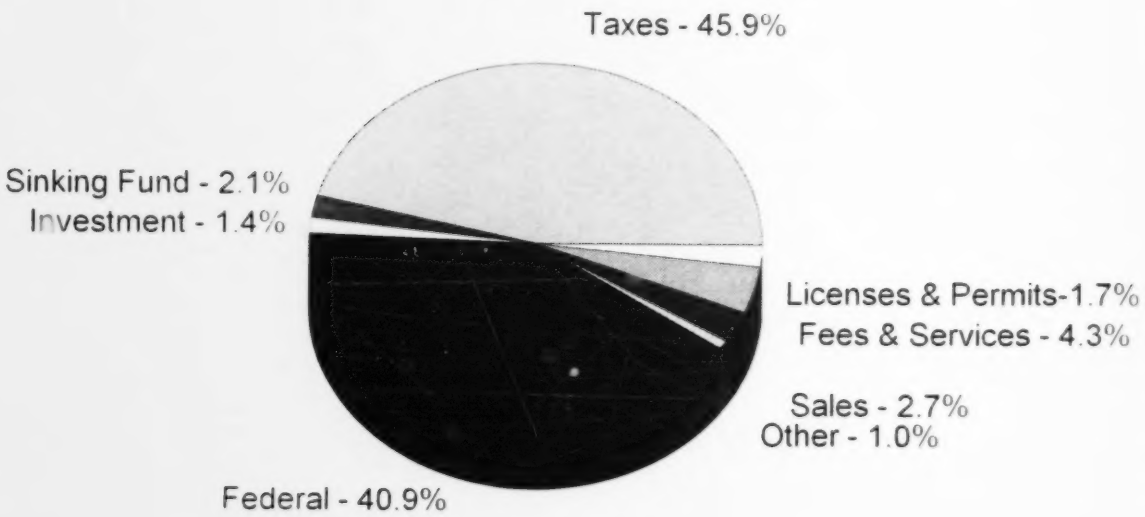
Province of
Prince Edward Island

Consolidated (Summary) Financial

Statements and Schedules

Revenue

Consolidated (Summary) Financial Statements

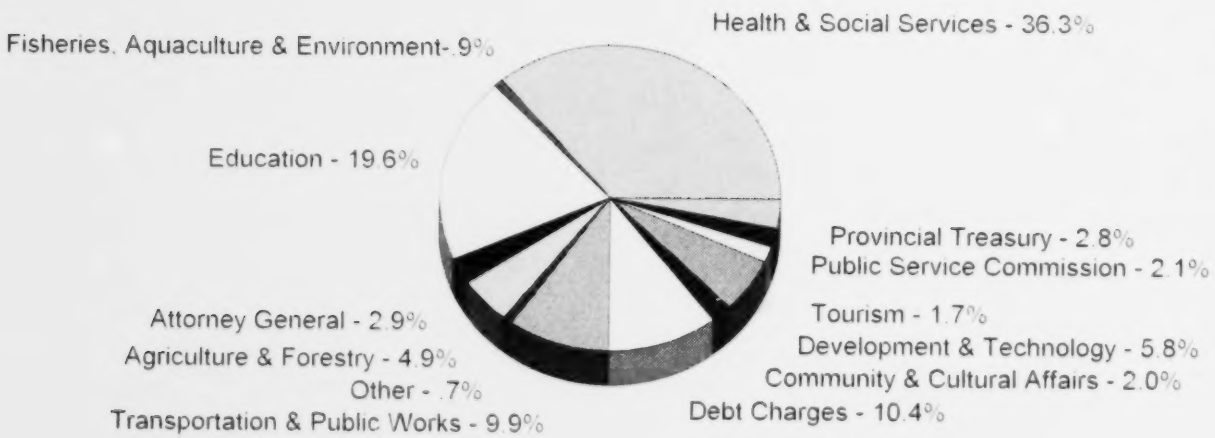


Total revenue in 2001 02 for the Province was $1.003 billion, $40.3 million more than in 2000/01.

Increases were mainly in Federal Government ($26.6 million) and Taxes ($17.9 million).

Expenditure by Ministry

Consolidated (Summary) Financial Statements

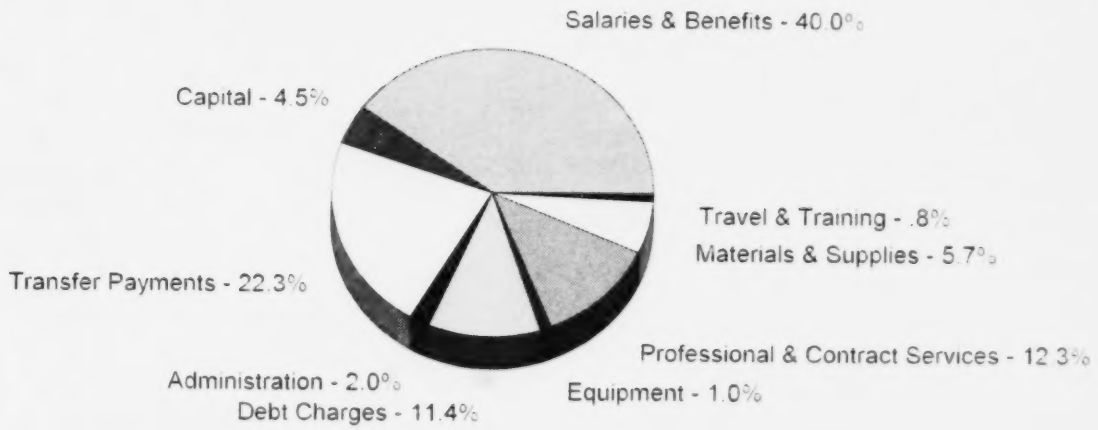

Health & Social Services - 36.3%
Fisheries, Aquaculture & Environment- .9%
Education - 19.6%
Provincial Treasury - 2.8%
Public Service Commission - 2.1%
Tourism - 1.7%
Development & Technology - 5.8%
Community & Cultural Affairs - 2.0%
Debt Charges - 10.4%
Attorney General - 2.9%
Agriculture & Forestry - 4.9%
Other - .7%
Transportation & Public Works - 9.9%

Total expenditure in 2001/02 for the Province was $1.03 billion, $36.3 million more than in 2000/01.

Increases were mainly in: Health and Social Services ($32.1 million); Education ($8.7 million); and Community and Cultural Affairs ($5.8 million). The increases in expenditure were offset by a decrease in Tourism ($6.7 million).

Expenditure by Object

Consolidated (Summary) Financial Statements


Salaries & Benefits - 40.0%
Capital - 4.5%
Travel & Training - .8%
Materials & Supplies - 5.7%
Transfer Payments - 22.3%
Professional & Contract Services - 12.3%
Administration - 2.0%
Equipment - 1.0%
Debt Charges - 11.4%

Total expenditure in 2001/02 for the Province was $1.03 billion, $36.3 million more than in 2000/01.

Increases were mainly in: Professional and Contract Services ($29 million); Salaries and Employee Benefits ($20.4 million); and Capital ($8 million). The increases in expenditure were offset by decreases in Materials and Supplies ($13.9 million); and Transfer Payments ($5.1 million).

AUDITOR'S REPORT

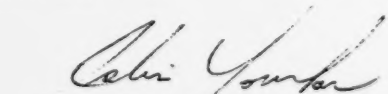
To the Members of the Legislative Assembly
Province of Prince Edward Island

I have audited the Consolidated (Summary) statement of financial position of the Province of Prince Edward Island as at March 31, 2002 and the statement of revenue and expenditure, changes in net debt and cash flows for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these Consolidated (Summary) financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 2002 and the results of its operations, the changes in net debt and the cash flows for the year then ended in accordance with the basis of accounting disclosed in the notes to the financial statements.

Additional information and comments on the financial statements are included in my Annual Report to the Legislative Assembly.



Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
December 6, 2002

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Financial Position
as at March 31, 2002

		2002 ($000)	2001 ($000)
	LIABILITIES		
Schedule			
1	Bank Advances	12,936	-
2	Deferred Revenue/Credits	38,640	18,826
3	Accounts Payable	135,903	131,307
4	Accrued Liabilities	105,969	102,394
5	Short Term Loans	110,000	157,428
6	Obligation Under Capital Leases	5,369	27,387
7	Loans Payable	38,836	39,506
8	Pension Obligations	153,936	228,841
9	Debentures	1,041,730	989,959
	Total Liabilities	**1,643,319**	**1,695,648**
	ASSETS		
10	Cash and Short Term Deposits	-	4,633
11	Accounts and Taxes Receivable	101,234	104,454
12	Treasury Advances	1,206	1,045
13	Inventory and Property for Resale	10,555	6,038
14	Investments	5,854	9,292
15	Investment in Government Business Enterprises	6,184	13,569
9	Sinking Fund and Debt Reduction Fund	248,462	301,410
16	Loans Receivable	175,870	160,038
17	Deferred Charges	11,885	50,390
	Total Assets	**561,250**	**650,869**
	NET DEBT	**1,082,069**	**1,044,779**

18 Trust Funds
19 Tangible Capital Assets
20 Guaranteed Debt

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Revenue and Expenditure
for the year ended March 31, 2002

Schedule		2002 ($000)	2001 ($000)
	REVENUE		
23	Taxes	459,657	441,737
24	Licenses and Permits	16,853	16,423
25	Fees and Services	42,638	42,167
26	Sales	27,397	27,127
27	Investment	13,943	15,229
28	Other Income	10,563	12,100
29	Government of Canada	410,362	383,713
30	Capital	589	1,087
	Sinking Fund Earnings	20,674	22,798
	Total Revenue	**1,002,676**	**962,381**
	EXPENDITURE		
31	Agriculture and Forestry	51,080	51,463
	Attorney General	29,853	27,775
	Auditor General	1,138	1,070
32	Community and Cultural Affairs	20,550	14,750
33	Development and Technology	60,010	63,171
34	Education	202,286	193,635
	Executive Council	2,918	2,902
35	Fisheries, Aquaculture and Environment	9,253	8,159
36	Health and Social Services	375,272	343,214
	Legislative Assembly	2,922	3,653
37	Provincial Treasury	29,169	26,563
38	Public Service Commission	21,254	20,745
39	Tourism	18,036	24,781
40	Transportation and Public Works	101,802	106,677
	Interest Charges on Debt	107,113	107,752
	Total Expenditure	**1,032,656**	**996,310**
	Surplus (Deficit) Before Special Adjustments	**(29,980)**	**(33,929)**
41	Pension Adjustment	(8,683)	(112)
15	Gain (Loss) on Government Business Enterprises (Note 7)	1,373	(886)
	SURPLUS (DEFICIT)	**(37,290)**	**(34,927)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Changes in Net Debt
for the year ended March 31, 2002

	2002 ($000)	2001 ($000)
Net Debt, beginning of year	**1,044,779**	**1,009,852**
Net Debt Increased by:		
Consolidated Deficit	37,290	34,927
Net Debt, end of year	**1,082,069**	**1,044,779**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Cash Flows
for the year ended March 31, 2002

	2002 ($000)	2001 ($000)
Operating Activities		
Surplus (Deficit) for the year	(37,290)	(34,927)
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	3,220	(16,125)
Treasury Advances - (Increase) Decrease	(161)	(262)
Inventories - (Increase) Decrease	(4,517)	2,588
Deferred Charges - (Increase) Decrease	38,505	(38,643)
Deferred Revenue - Increase (Decrease)	19,814	(2,863)
Accounts Payable - Increase (Decrease)	4,596	23,803
Accrued Liabilities - Increase (Decrease)	3,575	349
Pension Obligations - Increase (Decrease)	(74,905)	25,599
Cash Provided by (Used for) Operating Activities	**(47,163)**	**(40,481)**
Investing Activities		
Changes in:		
Loans Receivable - (Increase) Decrease	(15,832)	(45,795)
Investments - (Increase) Decrease	3,438	719
Investments in Government Enterprises-(Increase) Decrease	7,385	886
Cash Provided by (Used for) Investing Activities	**(5,009)**	**(44,190)**
Financing Activities		
Debentures Issued	111,374	9,136
Debentures Matured / Called	(59,603)	(14,140)
Changes in:		
Short Term Loans Payable - Increase (Decrease)	(47,428)	101,384
Long Term Loans Payable - Increase (Decrease)	(670)	(803)
Obligation Under Capital Leases - Increase (Decrease)	(22,018)	(225)
Sinking Fund - (Increase) Decrease	52,948	(14,031)
Cash Provided by (Used for) Financing Activities	**34,603**	**81,321**
Increase (Decrease) in Cash and Temporary Investments	(17,569)	(3,350)
Cash and Temporary Investments, beginning of year	4,633	7,983
Cash and Temporary Investments, end of year	**(12,936)**	**4,633**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Position
as at March 31, 2002

	2002 ($000)	2001 ($000)
ASSETS		
Cash	5	5
Accrued Interest	2,936	4,170
Accounts Receivable	23,198	23,189
	26,139	27,364
Investments	222,327	274,049
Total Assets	**248,466**	**301,413**
LIABILITIES		
Accounts Payable	4	3
SINKING FUND (DEBENTURES) RESERVE	162,549	246,938
MARKET CONTINGENCY FUND RESERVE*	-	54,472
DEBT REDUCTION FUND RESERVE *	85,913	-
	248,462	301,410
Total Liabilities and Fund Reserves	**248,466**	**301,413**

* In June 2001 the Province established the Debt Reduction Fund for the purpose of retiring public debt and reducing interest charges on debt. Effective April 1, 2001 funds in the Sinking Fund designated for Canada Pension Plan debentures, as well as those funds designated as Market Contingency Funds were transferred to the Debt Reduction Fund.

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Activities
for the year ended March 31, 2002

	2002 ($000)	2001 ($000)
Sinking Fund Earnings		
Interest	20,908	22,997
Gain on Sale of Debentures	118	184
	21,026	23,181
Expenses		
Bank Charges	47	28
Amortization of Debenture Discount	305	355
	352	383
Net Sinking Fund Earnings	**20,674**	**22,798**
Add:		
Instalments from Operating Fund	11,131	11,265
Debentures Issued During Year	11,374	9,136
Less:		
Payments to Pension Funds	(18,048)	(18,048)
Debentures Which Matured During the Year	(56,344)	(11,120)
Payment of Capital Lease - Hillsborough Bridge	(21,735)	-
Increase (decrease) in Sinking Fund Reserves	**(52,948)**	**14,031**
Sinking Fund Reserves, Beginning of Year	**301,410**	**287,379**
Sinking Fund Reserves, End of Year	**248,462**	**301,410**

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Investments
as at March 31, 2002

	2002 ($000)	2001 ($000)
Book Value of Investments		
Debentures-Par Value	142,199	194,003
Add: Unamortized Premium	2,115	1,682
	144,314	195,685
Debentures-Residuals	78,013	77,914
Mortgage Receivable	-	450
Total Book Value of Investments	**222,327**	**274,049**
Market Value of Investments		
Market Value of-Debentures	245,892	303,116
-Mortgage Receivable	-	484
Total Market Value of Investments	**245,892**	**303,600**

PROVINCE OF PRINCE EDWARD ISLAND

Notes to the Consolidated Financial Statements
For the year ended March 31, 2002

1 **Reporting Entity**

The financial position of the Province is presented by a consolidated statement of financial position combining the statement of financial position of the Operating Fund and the balance sheets of such agencies, crown corporations, and boards as determined under section 61(2) of the Financial Administration Act.

The following agencies, crown corporations, and boards are included in the consolidated statement of financial position using the consolidation method of accounting. Under the consolidation method of accounting inter-organizational balances and transactions are eliminated. This method reports the organizations as if they were one organization.

East Prince Health Authority
Eastern Kings Health Authority
Queens Health Region
Southern Kings Health Authority
West Prince Health Authority
Eastern School Board
French Language School Board
Western School Board
Innovative Solutions Agency (PEI) Inc.
P.E.I. Agricultural Insurance Corporation
P.E.I. Agricultural Research Investment Fund Inc.
P.E.I. Aquaculture and Fisheries Research Initiative Inc.
P.E.I. Business Development Inc
P.E.I. Crown Building Corporation
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Lending Agency
P.E.I. Museum and Heritage Foundation
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Special Projects Fund
Tourism P.E.I.

The Eastern, Western, and French Language School Boards have a fiscal year-end of June 30, 2001

The following agencies, crown corporations, and boards are included in the consolidated statement of financial position using the modified equity method of accounting. This method is used for government business enterprises which are defined in Note 7 to these financial statements. The modified equity method reports the percentage of a government business enterprise's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Inter-organizational balances and transactions are not eliminated

Charlottetown Area Development Corporation
Island Investment Development Inc.
Island Waste Management Corporation
P.E.I. Energy Corporation
P.E.I. Grain Elevators Corporation
P.E.I. Liquor Control Commission
P.E.I. Lotteries Commission
P.E.I. Regulatory and Appeals Commission
Summerside Regional Development Corporation Ltd.

The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2001

The Consolidated Statement of Financial Position does not include the financial position of the Workers Compensation Board of Prince Edward Island. The Board, as at December 31, 2001, had assets of $66.5 million (2000 - $67.4 million) and liabilities of $96.5 million (2000 - $98.5 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

2 Basis of Accounting

(a) The Province of Prince Edward Island accounts for its financial transactions in accordance with generally accepted accounting principles, which for the purposes of the Province's financial statements is represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards.

(b) The financial transactions recorded in the Accounts of the Province and reflected in the Public Accounts are classified as budgetary and non-budgetary.

In general terms budgetary transactions are those which enter into the calculation of the annual budgetary surplus or deficit and are disclosed in the Consolidated Statement of Revenue and Expenditure, both capital and ordinary revenues and expenditures are included. Non-budgetary transactions lead to the acquisition or disposal of financial assets, or to the creation or discharge of financial obligations, which are disclosed in the Consolidated Statement of Financial Position.

(c) Liabilities

Bank advances represent net cash position including bank balances and term deposits.

Deferred revenue represents amounts received but not earned.

Payables, accruals and other liabilities are recorded for all amounts due for work performed, goods or services received and other charges incurred in the fiscal year.

Borrowings are recorded at face value.

Obligation under capital lease represents the liability recorded for contractual arrangements which are deemed to be capital leases. Establishment of a capital lease recognizes the lease contract as a financing tool to acquire an asset.

Pension obligations represent the Province's net pension liability as calculated using an accrued benefits actuarial method. The net pension liability represents accrued pension benefits less the market value of pension assets.

Debentures represent the gross funded debt of Province of PEI public debenture issues, private debenture issues and Canada Pension Plan debenture issues.

(d) Assets

Receivables are recorded for all amounts due for work performed and goods or services supplied in the fiscal year. A provision for loss is established for doubtful accounts.

Loans receivable are recorded at cost. A provision for loss is established for doubtful accounts.

Inventories are recorded at the lower of cost or net realizable value.

Investments are recorded at the lower of cost or net realizable value.

Investment in government business enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described in Note 1 to these financial statements.

Sinking fund assets are recorded at cost. A portion of the sinking fund assets are externally restricted.

Deferred charges represent recorded expenditures which will be included in the Consolidated Statement of Revenue and Expenditure in future years.

(e) Net Debt

The Province's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Province is determined by its liabilities less its listed assets.

(f) Revenues

Revenues are recorded on an accrual basis. Payments from Canada under the Federal - Provincial Fiscal Arrangements, the Canada Health and Social Transfer and the Tax Collection Agreement are based on estimates which will be adjusted against future years revenues when actual results become available.

(g) Expenditures

Expenditures are recorded on an accrual basis.

Capital expenditures are incurred in the acquisition, development or construction of capital assets and equipment. They do not include operational expenses. Capital expenditures are generally for highway construction and buildings. Capital expenditures are reported as expenditures in the year they are made.

Tangible capital assets are reported as expenditures in the year the assets are acquired, they are not included in the Province's Consolidated Statement of Financial Position. Schedule 19 (unaudited) is provided to inform readers of the net book value of the tangible capital assets available for use by the Province.

Transfer payments are transfers of money to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return. Transfer payments are recognized by the Province as expenditures in the period during which both the payment is authorized and any eligibility criteria are met.

3 Province of Prince Edward Island Sinking Fund and Debt Reduction Fund

(a) Description of Sinking Funds

The Province of Prince Edward Island Sinking Funds were established to reserve funds to meet future commitments and for debt retirement. Earnings on Sinking Funds are reflected as current revenue. The Sinking Funds are made up of two components:

Sinking Fund (Debentures)

Those funds in the Sinking Fund designated for debentures are considered to be externally restricted and as a result can not be used for other purposes. Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund, and as such, are treated as a non-budgetary item. The installment payments for the next five years are:

	($000)
2002-2003	11,698
2003-2004	11,674
2004-2005	10,743
2005-2006	10,743
2006-2007	10,743

Debt Reduction Fund

The Debt Reduction Fund was established from over-funding of Provincial debenture issues and installments made to the Sinking Fund for Canada Pension Plan (CPP) debentures. There are no installment requirements for CPP debentures and there are no external restrictions on funds contributed to the Sinking Fund for the retirement of CPP debentures. The purpose of the Debt Reduction Fund is the retirement of public debt and the reduction of interest charges on debt.

(b) PEI Issues Held by the Sinking Fund

As at March 31, 2002 Sinking Fund investments include PEI Issues held but not cancelled in the amounts of:

	($000)		($000)
Debentures - Par Value	25,250	Book Value	27,700
Residuals - Par Value	99,608	Book Value	65,032

4 Solid Waste Landfill Closure and Post-Closure Liability

Public Sector Accounting Board Recommendations provide guidelines for disclosing a liability resulting from the operation of landfill sites. This liability applies to all operating and closed landfill sites of government and their organizations. The liability includes the estimated cost of activities related to closing landfill sites and the estimated cost of monitoring the site once it is no longer accepting waste. The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of a provincial agency. The provincial agency will be disclosing a liability related to the closure and post-closure costs of two major landfill sites, both of which were in use at March 31, 2002. Costs associated with the closure and decommissioning of other provincial landfill and dump sites are the responsibility of the Province. The Province is in the process of determining its liability related to these sites for disclosure in future Public Accounts.

5 Commitments

(a) Central Mortgage and Housing Corporation

The Province is committed to pay half the cost of a loan from Central Mortgage and Housing Corporation, for the development of the Charlottetown Area Pollution Control and Summerside Sewage Disposal systems. The Province's share of the outstanding loan balance as at March 31, 2002 was $341 thousand (2001 - $453 thousand). An amount of $172 thousand is included in the 2002-2003 budget of the Department of Community and Cultural Affairs to meet the Province's principal and interest commitment for the fiscal year.

(b) K.C. Irving Chemistry Building

The Province is committed to make payments over a ten year period totaling $1 million plus interest on the outstanding balance. The outstanding balance as at March 31, 2002 was $500 thousand (2001 - $600 thousand). An amount of $150 thousand is included in the 2002-2003 budget of the Department of Education to meet the Province's principal and interest commitment for the fiscal year.

(c) East Prince Health Facility

The Province has a commitment to complete construction of the East Prince Health Facility at an estimated project cost of $49.5 million. As at March 31, 2002 $26.1 million has been incurred on this project.

(d) PEI Agricultural Research Investment Fund Inc

The corporation has approved eight research projects (2001 - sixteen) providing for future commitments of $435 thousand (2001 - $769 thousand), the commitments expire March 31, 2005.

(e) PEI Aquaculture and Fisheries Research Initiative Inc

The corporation has approved two research projects (2001 - one) providing for future commitments of $95.5 thousand (2001 - $10 thousand), the commitments expire March 31, 2005.

(f) Prince Edward Island Business Development Inc.

Under the terms of a construction contract Atlantic Technology Centre Inc. has a commitment to complete the construction of the Atlantic Technology Centre in the 2003 fiscal year. The total contract is $16.8 million of which $8.7 million has been completed at March 31, 2002.

During the year, Atlantic Technology Centre Inc. entered into a credit agreement with a commercial lender to obtain a mortgage of $12.1 million to be drawn down August 30, 2002. The mortgage will be guaranteed by the Province.

(g) P.E.I. Lending Agency

The corporation has approved, but not disbursed, loans at March 31, 2002 amounting to $3.2 million (2001 - $12.9 million).

(h) Queens Health Region

Queens Health Region is committed to purchase major equipment with a total cost of $5.2 million. The Prince Edward Island Department of Health and Social Services is committed to funding this equipment purchase.

(i) Charlottetown Area Development Corporation

The corporation has entered into an agreement with Industry Canada and a memorandum of understanding with eight other parties to carry out the Virtual Charlottetown-Town Square Project. The total budgeted project cost is $9.2 million. CADC's share of the budgeted project cost is $3.9 million.

The corporation has entered into an agreement with the City of Charlottetown to finance and construct a parking garage at an estimated cost of $7.5 million. As at March 31, 2002 $100 thousand has been incurred on this project.

(j) Island Waste Management Corporation

The corporation is committed to the implementation of the Waste Watch Program across the Province. The total cost of this project is estimated at $30 million, which includes the construction cost of a compost facility and the purchase of waste and compost carts. As at March 31, 2002 $9.5 million has been incurred for this initiative.

(k) Leases

The Province is party to a significant number of lease agreements. The following list contains those leases where the annual lease payments exceed one hundred thousand dollars.

Asset Description	Annual Lease Cost ($000)	Lease Expiration
Sir Henry Davies Law Courts *	878 **	March 21, 2128
Health and Social Services Office	335	March 31, 2012
Queens Health Region Office	402	May 14, 2012
Charlottetown Highway Safety Division Office	159	June 30, 2007
Kelly Building (Provincial Court House) *	296	October 31, 2024
Access PEI Summerside Office	650	January 31, 2018
Eastern Kings Regional Services Centre	205	December 31, 2010
Morell Library	177	March 31, 2003
Blanchard Building	155	August 31, 2003
Concorde Building	147	June 30, 2009
Agriculture Canada Research Station	270	Being Negotiated
DocuTech 135 High Speed Copier	129	April 26, 2006
Unisys Mainframe Computer	663	March 31, 2003
Brudenell Golf Course (Tourism PEI)	102	August 31, 2004

* Capital Leases

Costs associated with renovations to the Davies and Kelly Law Courts Buildings have been recorded as capital leases. These capital lease obligations are recorded as liabilities in the Consolidated Statement of Financial Position.

** Sir Henry Davies Law Court Lease

For the period November 1, 2019 to March 21, 2128 the annual base rent is $1.

(l) Pension Obligations

Acts to amend the Civil Service Superannuation Fund and the Teachers' Superannuation Fund reflect that the Province shall pay $63.4 million and $129.4 million into the Funds respectively, from 1996 to 2005.

Additional payments will be made for interest revenue lost as a result of deferral of the 1997-98 installment to March 31, 1999. Interest in the amount of $3.7 million will be paid in seven annual installments commencing on April 1, 1998

6 Contingent Liabilities

(a) Claims Outstanding

At March 31, 2002 there are twenty six (2001 - twenty) outstanding claims arising from legal action in progress against the Crown in respect of breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

The cost, if any, of nineteen of the twenty six claims outstanding, will be paid through the Prince Edward Island Self-Insurance and Risk Management Fund. The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The Fund provides general liability insurance, errors and omissions insurance and primary property and crime insurance. At March 31, 2002 fund reserves were $8 million, (2001 - $7.9 million). Claims amounting to $.5 million (2001 - $.6 million), were settled in the current year. The estimated amount for claims outstanding at March 31, 2002 is $.8 million (2001 - $.5 million). The fund carries an excess liability policy limiting the liability of the fund to $5 million.

An estimated amount for settlement of the seven claims not being paid through the Self-Insurance and Risk Management Fund is $101 thousand (2001 - $686 thousand).

(b) Credit Union Deposit Insurance Corporation

The Credit Unions Act states that the Province shall ensure that the obligations of The Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits held by PEI credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. At December 31, 2001 the CUDIC had an equity balance of $3.6 million (2000 - $3 million). Based on unaudited information, at September 30, 2001 credit unions in Prince Edward Island held insurable deposits totalling $370.3 million (2000 - $330 million). The probability that the Province would be called upon to provide financial support to the CUDIC is unlikely due to the fact that, at September 30, 2001, the ten credit unions in PEI had total assets of $471.8 million (2000 - $419 million). At September 30, 2001 the ten credit unions had members' deposits and liabilities totalling $452.1 million (2000 - $402.5 million) leaving $19.7 million (2000 - $16.5 million) in members' equity.

(c) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans, including student loans. Guarantees amounting to $47.2 million (2001 - $42.9 million) are reported in Schedule 20.

(d) Island Investment Development Inc. - Guarantee

The Province has provided a guarantee of the non-interest bearing notes payable to the Minister of Citizenship and Immigration (Agent) in the event of failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within thirty days following the end of the allocation period. The balance of non-interest bearing notes payable at March 31, 2002 was $8.5 million.

7 Government Business Enterprises

Government business enterprises are defined as those agencies, crown corporations and boards which, (i) have the power to contract in their own name, (ii) have the financial and operating authority to carry on a business, (iii) sell goods and services to customers outside the provincial reporting entity as their principal activity and source of revenue, and (iv) are able to maintain their operations and meet their liabilities from revenues received from sources outside the provincial reporting entity.

Schedule 15 presents condensed financial information of those Government Business Enterprises which are included in the provincial reporting entity as described in Note 1 to these financial statements.

8 Pension, Retirement and Other Obligations

(a) Change in Accounting for Obligations

The Province has adopted the recommendations of the Public Sector Accounting Board (PSAB) in accounting for its pension and other retirement obligation liabilities. Assumptions used in the valuation of these benefits and obligations are developed on two criteria; for funding purposes and for accounting purposes. In previous years the Province used funding assumptions in recording its pension and retirement obligations, for the year ended March 31, 2002 assumptions used were developed for accounting purposes.

(b) Pension Funds

Civil Service Superannuation Fund
Employees of the Province and certain of its' entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 6.95 percent of their salary (8.75 percent when not contributing to CPP) with the Province matching those contributions. In 2002, total employee contributions for current year's service were $8.6 million (2001 - $8.1 million). Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 1,341 retirees (2001 - 1,321); benefit payments were $17.2 million in 2002 (2001 - $15.8 million)

An amendment to the Civil Service Superannuation Act on May 4, 1995 provided for the significant reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $11.6 million in 1995/96 and $5.8 million in the years 1996/97 to 2004/05.

Teachers' Superannuation Fund
The Teachers' Superannuation Act established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 7.2 percent of their salary (9 percent when not contributing to CPP) with the Province matching those contributions. In 2002, total employee contributions for current year's service were $5.5 million (2001 - $5.5 million). Investments of the Fund are adminsistered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best five years' average salary. The plan provides for inflation protection to a maximum of 4%. At present the plan provides benefits to 1,071 retirees (2001 - 1,022); benefit payments were $23.6 million in 2002 (2001 - $21 million).

An amendment to the Teachers' Superannuation Act on May 4, 1995 provided for the reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $13.6 million in 1995/96 and $11.8 million in the years 1996/97 to 2004/05.

MLA Pension Fund (Old Plan)
The Legislative Assembly Retirement Allowances Act and Legislature and Executive Pensions Act provided a pension plan for members of the Legislative Assembly. The plan is operated within the MLA Pension Fund which is not part of the Operating Fund of the Province. Amendments in 1994 resulted in this plan being replaced by a new pension plan. Participants of the Old Plan will be entitled to benefits accruing under the terms of the plan up to and including June 30,1994. As a result, contributions to this fund ceased on June 30.

1994; however, investment interest and payments to existing pensioners will continue to be recorded to this fund. As well, the province provided $5 million in funding to eliminate the unfunded liability at June 30, 1994. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Annual Members' pensions are equal to the lesser of 75% of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75% of contributions and one half of the highest annual salary as a Minister. The plan provides for inflation protection to a maximum of 8%. At present the plan provides benefits to 72 retirees (2001 - 70); benefit payments were $1.1 million in 2002 (2001 - $1.1 million).

Pension Plan for Members of the Legislative Assembly (New Plan - Basic)
An Amendment to the Legislative Assembly Act in 1994 provided for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, the Speaker, Opposition House Leader, Government Whip and Opposition Whip. As a result of this amendment, a pension plan called the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" was established by the Commission with an effective start date of July 1, 1994. The plan is operated within the Pension Plan for Members of the Legislative Assembly (1994) which is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary with the Province matching those contributions. In 2002, total contributions for current year's service were $118.1 thousand (2001 - $112.6 thousand). Investments of the fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Pensions benefits are based on criteria which are different depending on the period of service. The criteria for the period June 20, 1994 to March 31, 2001 differs from the period April 1, 2001 to present. Benefits are based on the number of years of service times 2% of average annual indemnity (annual salary for Ministers) plus 25% of the required contributions made by the participants commencing after April 1, 2001. The plan provides for inflation to a maximum of 8%. At present the plan provides benefits to 11 retirees (2001 - 10); benefit payments were $20.6 thousand in 2002 (2001 - $22.5 thousand).

Pension Plan for Members of the Legislative Assembly (New Plan - Supplementary)
The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. The supplementary plan is funded solely by the Operating Fund of the Province. At present the plan provides benefits to 20 retirees (2001 - 14); benefit payments were $53.9 thousand in 2002 (2001 - $47.8 thousand).

Senior Compensation Program
An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the Civil Service Superannuation Act. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 14 retirees (2001 - 16); benefit payments were $306.5 thousand in 2002 (2001 - $257.9 thousand).

Pension Plan for Judges - Old
The Provincial Court Act provides a pension plan for Provincial Court judges who were appointed before April 1, 1997. The plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 8 percent. At present the plan provides benefits to 3 retirees (2001 - 3); benefit payments were $217.3 thousand in 2002 (2001 - $211.6 thousand).

Pension Plan for Judges - New
The Provincial Court Act established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997 which is supplementary to the benefits provided under the Civil Service Superannuation Act. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 6 percent. At present there are no retirees under this plan.

Actuarial Valuations / Estimates

Actuarial Valuations of the Province's Pension Funds are carried out every three years. An estimated update, which is a partial calculation based on an extrapolation of the most recent valuation, is provided by the Province's actuarial consultants at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups which is 13 years for the Civil Service and Teachers and 6 years for MLAs.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The expected inflation rate is 2.5 percent. The discount rate used to determine accrued benefit obligation is 7.9 percent. Pension fund assets are valued at market values. The expected rate of return on plan assets is 7.9 percent. The actual return on plan assets was 7.3 percent in 2002 (2001 - 2.9 percent).

The following are the most recent actuarial valuations for the Province's four Pension Funds:

	Civil Service Fund	Teachers Fund	MLA Fund Old	MLA Fund New
Date of Valuation	01-Apr-99	01-Jul-99	01-Apr-00	01-Apr-00
	($000)	**($000)**	**($000)**	**($000)**
Actuarial Liability	367,574	392,767	13,088	1,206
Fund Assets	328,023	245,891	20,715	1,181
Unfunded Liability (Surplus)	**39,551**	**146,876**	**(7,627)**	**25**

The following are the actuarial estimates at March 31, 2002:

	Gross Pension Obligation 31-Mar-02 ($000)	Pension Assets 31-Mar-02 ($000)	Net Pension Obligation 31-Mar-02 ($000)	Net Pension Obligation 31-Mar-01 ($000)
Civil Service Superannuation Fund	446,244	436,093	10,151	64,281
Teacher's Superannuation Fund	427,650	286,617	141,033	159,180
MLA Pension Fund (Old Plan)	12,036	20,441	(8,405)	(7,274)
MLA Pension Fund (New Plan)	1,702	1,637	65	195
MLA New - Supplemental	2,241	-	2,241	1,956
Senior Compensation Plan	5,403	-	5,403	6,088
Judges Old	3,305	-	3,305	4,415
Judges New	143	-	143	-
Totals	**898,724**	**744,788**	**153,936**	**228,841**

(c) Retirement and Other Benefits

Employees of the Province are entitled to retirement allowances as provided for under collective agreements and terms of employment. Other benefit entitlements include workers compensation funding and payment of insurance policies. The Province obtains actuarial calculations of its liability for future employee benefits.

The following balances are actuarial estimates of future commitments to employees:

	Obligation 31-Mar-02 ($000)	Obligation 31-Mar-01 ($000)
Retirement Pay	44,901	42,263
Insurance Policies	1,666	355
Workers Compensation	14,399	15,309
Totals	**60,966**	**57,927**

(d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2002:

	Current Service Cost ($000)	Interest Cost ($000)	Employee Contributions ($000)	Amortization of Actuarial Adjustments ($000)	Net Cost ($000)
Civil Service Pension Fund	14,766	1,342	(8,596)	(1,022)	6,490
Teacher's Pension Fund	9,971	10,263	(5,484)	(142)	14,608
MLA Pension Fund (Old)	-	(638)	-	(1,075)	(1,713)
MLA Pension Fund (New)	222	5	(118)	8	117
MLA Plan New - Supp	270	156	-	(15)	411
Senior Comp. Pension Plan	283	399	-	(76)	606
Judges Pension Plan Old	51	248	-	(199)	100
Judges Pension PlanNew	28	9	-	18	55
Total Pension	25,591	11,784	(14,198)	(2,503)	20,674
Retirement Pay	2,712	2,907	-	143	5,762
Insurance Policies	188	99	-	76	363
Workers Comp	791	931	-	(91)	1,631
Total Other	3,691	3,937	-	128	7,756
Totals	**29,282**	**15,721**	**(14,198)**	**(2,375)**	**28,430**

Amortization of Actuarial Adjustments is presented in the Statement of Revenue and Expenditure as a separate line item (Pension Adjustment).
A portion of the interest cost of future employee benefits is presented in the Statement of Revenue and Expenditure as a separate line item (Pension Adjustment).
The remaining costs of future employee benefits, including the remaining portion of interest cost, are included mainly in Employee Benefits in the Public Service Commission.

9 Canada Health and Social Transfer

The Province is receiving, from the Government of Canada, supplementary funding under the Canada Health and Social Transfer. The Federal Government has set up a trust fund to administer this program. The Province is recording revenue from this program per the following schedule:

	First Allocation	Second Allocation	Equipment Allocation	Totals
1999-2000	$9.0 million	-	-	$9.0 million
2000-2001	4.5 million	4.5 million	2.3 million	11.3 million
2001-2002	2.2 million	2.2 million	2.2 million	6.6 million
2002-2003	-	2.2 million	-	2.2 million
2003-2004	-	2.2 million	-	2.2 million
Totals	$15.7 million	$11.1 million	$4.5 million	$31.3 million

10 Reclassification of Government Agencies

For preparation of the March 31, 2002 consolidated financial statements three Provincial agencies have been reclassified. Island Waste Management Corporation and PEI Energy Corporation are now classified as government business enterprises due to the fact that they both had changes recently in their business operations and currently meet the criteria of a government business enterprises as defined in Note 7 to these financial statements. PEI Agricultural Insurance Corporation has been removed from the organizations reported as government business enterprises and reclassified as a full consolidation organization as the result of a review of the nature of the Agricultural Insurance Corporation's operations and the decision that the Corporation does not meet the criteria of a government business enterprise.

11 Discontinuance of Provincial Deposit Receipt Program

By Royal Assent the Deposit Receipt (Winding-up) Act was declared on May 29, 1997. No new Provincial Deposit Receipts (PDRs) were issued subsequent to the announcement in 1997 and PDR holders were advised that, effective March 31, 2002, the Province would cease to pay interest on deposit receipts and would redeem all outstanding certificates. During the year ended March 31, 2002 efforts were made to contact all PDR holders to make arrangements for redemption resulting in the redemption of 6.9 thousand certificates (total principal $37.7 million). At March 31, 2002 certificates with a total amount due of $4.2 million (principal and accrued interest) remained uncashed. The amount due on uncashed PDRs is included in Accounts Payable - Goods and Services in Schedule 3.

12 Subsequent Event

On April 9, 2002 the Minister of Health and Social Services announced a restructuring of the health system. Two key components of the plan are to establish a Provincial Health Services Authority responsible for secondary acute and specialized provincial services (including the Queen Elizabeth Hospital, Prince County Hospital, Hillsborough Hospital and the Provincial Addictions Centre) and to merge the Eastern Kings Health Region with the Southern Kings Health Region.

13 Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted annually to reflect new information as it becomes available. Examples of where measurement uncertainty exists in these financial statements are the calculation of future pension obligations and the provision for losses on loans and accounts receivable.

14 Comparative Figures

Certain 2001 financial statement figures, presented for comparative purposes, have been reclassified to conform with 2002 financial statement presentation.

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Statement of Financial Position
as at March 31, 2002

	2002 ($000)	2001 ($000)
1 Bank Advances (Cash & Short Term Deposits)		
Operating Fund	25,808	-
Consolidated Agencies and Crown Corporations	(12,872)	-
	12,936	-
2 Deferred Revenue/Credits		
General	8,839	14,130
Pension Accrual	24,907	-
Motor Vehicle	4,894	4,696
	38,640	**18,826**
3 Accounts Payable		
Goods and Services	54,128	45,559
Government of Canada	8,049	8,750
Consolidated Agencies and Crown Corporations	39,243	43,412
Due to Sinking Fund	23,185	23,170
Other	11,298	10,416
	135,903	**131,307**
4 Accrued Liabilities		
Wages and Benefits	82,045	77,098
Interest	23,924	24,688
Other	-	608
	105,969	**102,394**
5 Short Term Loans		
Treasury Notes	110,000	110,000
Provincial Deposit Receipts - Principal	-	36,906
Provincial Deposit Receipts - Accumulated Interest	-	10,522
	110,000	**157,428**
6 Obligation Under Capital Leases		
Hillsborough Bridge	-	21,735
Law Court Buildings	5,369	5,550
Consolidated Agencies and Crown Corporations	-	102
	5,369	**27,387**
7 Loans Payable		
School Construction Program	1,072	1,528
Land Development Corporation	667	1,333
Consolidated Agencies & Crown Corporations	36,983	36,439
Other	114	206
	38,836	**39,506**
8 Pension Obligations		
Civil Service Superannuation Fund	10,151	64,281
Teachers' Superannuation Fund	141,033	159,180
MLA Pension Fund (Old Plan)	(8,405)	(7,274)
Pension Plan for Members of the Legislative Assembly	65	195
Other Pension Plans	11,092	12,459
	153,936	**228,841**

9 Debentures and Sinking Funds

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt	Sinking Fund	Net Funded Debt
Public and Private Issues:						
30-Apr-92	30-Apr-02	9.750%	10	45,943	8,866	37,077
04-Jul-77	04-Jul-02	9.500%	25	2,991	4,680	(1,689)
01-Dec-78	01-Dec-03	10.250%	25	2,367	2,097	270
18-Apr-79	18-Apr-04	10.625%	25	4,526	3,836	690
15-Jun-94	15-Jun-04	9.375%	10	59,058	9,601	49,457
15-Dec-95	15-Dec-04	7.769%	20	10,355	-	10,355
03-Apr-86	03-Apr-06	10.625%	20	33,298	11,771	21,527
15-Jan-87	15-Jan-07	9.875%	20	30,186	9,580	20,606
03-Oct-97	03-Oct-07	6.000%	10	35,000	3,255	31,745
22-Jun-88	22-Jun-08	11.375%	20	47,980	15,965	32,015
01-Dec-88	01-Dec-08	10.750%	20	44,687	13,951	30,736
16-Aug-90	16-Aug-10	11.500%	20	60,000	14,833	45,167
14-Mar-91	14-Mar-11	11.000%	20	50,000	11,184	38,816
19-Sep-91	19-Sep-11	11.000%	20	50,000	10,508	39,492
17-Dec-92	17-Dec-12	9.750%	20	50,000	8,591	41,409
18-Mar-93	18-Mar-13	9.250%	20	60,000	11,751	48,249
27-Oct-95	27-Oct-15	8.500%	20	75,000	9,121	65,879
15-Dec-93	15-Dec-23	8.500%	30	60,000	10,456	49,544
21-Feb-00	21-Feb-30	6.800%	30	80,000	2,503	77,497
29-Jan-02	29-Jan-32	6.250%	30	100,000	-	100,000
				901,391	162,549	738,842
Canada Pension Plan Issues						
1982-83	2002-2003	14.240%	20	11,360	-	11,360
1983-84	2003-2004	11.670%	20	11,135	-	11,135
1984-85	2004-2005	13.210%	20	10,500	-	10,500
1985-86	2005-2006	11.230%	20	8,975	-	8,975
1986-87	2006-2007	9.560%	20	13,526	-	13,526
1987-88	2007-2008	9.950%	20	10,010	-	10,010
1988-89	2008-2009	10.090%	20	9,703	-	9,703
1989-90	2009-2010	9.660%	20	10,544	-	10,544
1990-91	2010-2011	10.770%	20	9,603	-	9,603
1991-92	2011-2012	9.930%	20	9,794	-	9,794
1992-93	2012-2013	9.340%	20	6,971	-	6,971
1998-99	2018-2019	5.930%	20	376	-	376
1999-00	2019-2020	6.450%	20	7,332	-	7,332
2000-01	2020-2021	6.640%	20	9,136	-	9,136
2001-02	2021-2022	6.563%	20	11,374	-	11,374
				140,339	-	140,339
Total Debentures and Sinking Fund				**1,041,730**	**162,549**	**879,181**
Debt Reduction Fund					**85,913**	
Total Sinking Fund and Debt Reduction Fund					**248,462**	

The debentures listed on this schedule have been issued in Canadian dollars.

Canada Pension Plan debentures are callable by the Federal Minister of Finance on six months notice. No calls have occurred to date and none are expected.

	2002 ($000)	2001 ($000)
10 Cash and Short Term Deposits (Bank Advances)		
Operating Fund	-	(4,772)
Consolidated Agencies & Crown Corporations	-	9,405
	-	**4,633**
11 Accounts and Taxes Receivable		
Taxes	53,498	48,412
Government of Canada	24,242	29,836
Consolidated Agencies & Crown Corporations	13,292	15,160
Other	15,268	14,375
	106,300	107,783
Provision for Doubtful Accounts (Schedule 21)	(5,066)	(3,329)
	101,234	**104,454**
12 Treasury Advances		
Employee Computer Purchases	655	491
Cash Floats	16	17
Nova Scotia Health Advance	535	535
Other	-	2
	1,206	**1,045**
13 Inventory and Property for Resale		
Leased Property (Net of Provision for Losses - Schedule 21)	2,225	2,678
Property Holdings (Net of Provision for Losses - Schedule 21)	7,615	1,603
Other	715	1,757
	10,555	**6,038**
14 Investments		
PEI Business Development Inc (Net of Prov for Losses - Sched 21)	5,520	9,084
Investments Held by Other Agencies and Crown Corporations	334	208
	5,854	**9,292**

15 Investment in Government Business Enterprises

	Ch'town Area Dev. Corp. ($000)	Island Invest. Dev. Inc ($000)	Island Waste Management Corp. ($000)	P.E.I. Energy Corp. ($000)	P.E.I. Grain Elevators Corp. ($000)	P.E.I. Liquor Control Comm. ($000)	P.E.I. Lotteries Comm. ($000)	P.E.I. Reg. & Appeals Comm. ($000)	S'side Regional Dev. Corp. ($000)	Total 2002 ($000)	Total 2001 ($000)
Assets	32,761	85,945	14,627	10,219	1,160	10,746	167	1,155	12,568	169,348	143,198
Liabilities	27,835	86,147	15,057	9,718	794	10,746	167	851	10,624	161,939	128,258
Equity	4,926	(202)	(430)	501	366	-	-	304	1,944	7,409	14,940
	32,761	85,945	14,627	10,219	1,160	10,746	167	1,155	12,568	169,348	143,198
Percentage of Ownership	85%	100%	100%	100%	100%	100%	100%	100%	75%		
Province of PEI's Equity	4,187	(202)	(430)	501	366	-	-	304	1,458	**6,184**	1 **13,569**
Revenue	3,218	3,212	7,244	1,606	5,597	45,062	15,191	1,897	2,020	85,047	82,623
Expenditures	3,630	3,346	7,196	1,139	5,574	34,884	941	1,670	2,746	61,126	59,518
Net Income (Loss)	(412)	(134)	48	467	23	10,178	14,250	227	(726)	23,921	23,105
Province's Increase in Equity	200 2	(134)	48	467	23	- 3	- 3	- 4	(545)	59	(886)
Equity adjustment (Note 1 below)										1,314	1 -
Total Gain (Loss) on Government Business Enterprises										**1,373**	**(886)**

1 Subsequent to a review of operations two government agencies (Island Waste Management and PEI Energy) were added to the schedule of government business enterprises and one government agency (PEI Agricultural Insurance) was removed from the schedule. The change in accounting for these three agencies has resulted in an increase in the equity in government business enterprises in the amount of $1.3 million.

2 The Charlottetown Area Development Corporation has changed its accounting policy for grants received to reflect the substance of the grants as being income versus a deferred revenue. This change in accounting policy has been applied retroactively with the effect being an increase in retained earnings by $647 thousand at March 31, 2002. The Province's increase in equity at March 31, 2002 equals its portion of the increase in retained earnings ($550 thousand) less its portion of the net loss for the year ended March 31, 2002 ($350 thousand).

3 Net income from the P.E.I. Liquor Control Commission and the P.E.I. Lotteries Commission is included in the Province's Operating Fund Revenues in Schedule 26 (Sales).

4 Net income from the PEI Regulatory and Appeals Commission is included in the Province's Operating Fund Revenues in Schedule 27 (Investment).

Complete financial statements of government business enterprises, consolidated agencies and other agencies and crown corporations are provided in Volume II of the Public Accounts of the Province of Prince Edward Island.

	2002 ($000)	2001 ($000)
16 Loans Receivable		
Operating Fund		
P.E.I. Liquor Control Commission	5,077	3,443
Charlottetown Area Pollution Control	61	102
Community Development	22	27
Stratford Pollution Control Commission	88	124
Charlottetown Area Development Corporation	8,026	7,781
Summerside Regional Development Corporation	538	110
City of Summerside	13	38
School Board Computer Loans	145	323
P.E.I. Grain Elevators Corporation	-	15
Communities 13 Inc.	985	-
Island Waste Management Corporation	9,500	-
	24,455	11,963
Mortgages and Loans Issued by Agencies		
P.E.I. Housing Corporation	10,479	11,180
P.E.I. Business Development Inc	10,457	13,701
P.E.I. Lending Agency	143,346	132,999
Provision for Doubtful Accounts (Schedule 21)	(12,867)	(9,805)
	151,415	148,075
	175,870	**160,038**
17 Deferred Charges		
Debenture Discount	5,957	5,398
Deferred Pension Charges	-	36,202
Prepaid Expenses	5,928	8,790
	11,885	**50,390**
18 Trust Fund Reserves		
Operating Fund	742,406	699,106
East Prince Health Authority	34	30
Eastern Kings Health Authority	79	67
Queens Region Health Authority	255	324
Southern Kings Health Authority	11	12
West Prince Health Authority	14	13
Eastern School Board	51	53
Western School Board	115	115
P.E.I. Business Development Inc.	11,576	10,828
P.E.I. Housing Corporation	6	11
P.E.I. Museum and Heritage Foundation	572	563
	755,119	**711,122**

19 Tangible Capital Assets (unaudited)

	Land and Improvements ($000)	Buildings and Improvements ($000)	Leasehold Improvements ($000)	Roads and Bridges ($000)	Motor Vehicles ($000)	Equipment ($000)	Other ($000)	Total ($000)
Balance, beginning of year	8,060	385,462	6,418	777,919	51,133	91,719	46,318	1,367,029
Additions	1,200	44,369	-	22,875	2,883	5,829	81	77,237
Disposals	-	(95)	-	-	(465)	-	-	(560)
Adjustments	-	(581)	(2)	-	(10,255)	6,024	11,422	6,608
Balance, end of year	9,260	429,155	6,416	800,794	43,296	103,572	57,821	1,450,314
Accum. Amortization, beginning of year	1,254	114,973	349	482,367	39,664	54,939	19,234	712,780
Amortization 2001 - 2002	356	8,312	174	15,160	1,786	6,495	2,283	34,566
Adjustments for Disposals	-	(24)	-	-	(263)	-	-	(287)
Other Adjustments	-	12,420	(1)	13,590	(8,164)	2,729	8,157	28,731
Accumulated Amortization, end of year	1,610	135,681	522	511,117	33,023	64,163	29,674	775,790
Net Book Value	**7,650**	**293,474**	**5,894**	**289,677**	**10,273**	**39,409**	**28,147**	**674,524**

This schedule includes the tangible capital assets of the Province's Operating Fund and the tangible capital assets of consolidated agencies.

Operating Fund tangible capital assets do not include land as the Province is gathering historical cost information on land for inclusion in future Public Accounts.

Adjusments to historical cost result from the restatement of the cost of assets of the Operating Fund purchased in prior years and the deletion of assets owned by Island Waste Management Corporation (Note 10)

Adjustments to accumulated amortization result from adjustments to historical cost and changes in the rate of amortization for buildings and bridges in the Operating Fund from 2.5% per year to 5% per year and for heavy motor vehicles from 10% per year to 15% per year.

20 Guaranteed Debt

		Outstanding 31-Mar-02 ($000)	Outstanding 31-Mar-01 ($000)
1	Lines of Credit / Demand Loans	4,111	4,431
2	Debentures / Capital Loans	21,073	17,322
3	Consolidated Agencies and Crown Corporations	16,996	21,135
4	Student Loans	4,997	-
	Total Guaranteed Debt	**47,177**	**42,888**

	Maturity Date	Interest Rate	Principal Guaranteed ($000)	Outstanding 31-Mar-02 ($000)	Outstanding 31-Mar-01 ($000)
1 Lines of Credit / Demand Loans					
P.E.I. Grain Elevators Corp.	31-Dec-02	Prime	2,500	711	1,431
Island Waste Management	06-Jun-02	Prime-1/4	500	-	-
Summerside Reg. Dev. Corp.	31-Jan-05	Prime	3,000	3,000	3,000
South Shore Community Org	01-Dec-04	Prime-1/4	400	400	-
			6,400	**4,111**	**4,431**
2 Debentures / Capital Loans					
Ch'town Area Dev. Corp.	15-May-13	5.781%	11,800	10,454	10,835
PEI Energy Corporation	06-Mar-17	Prime-1/2	9,360	9,129	5,732
Island Waste Management	28-Aug-02	Prime	1,900	1,487	750
Island Waste Management	31-Oct-02	Prime	30,000	-	-
Town of Souris	01-Feb-03	5.375%	20	1	2
Village of Tignish	01-Jan-03	5.125%	16	1	2
Village of Crapaud	01-Dec-03	5.375%	9	1	1
			53,105	**21,073**	**17,322**

Both principal and interest are guaranteed for loan guarantees and debenture share issues. During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

	31-Mar-02 ($000)	31-Mar-01 ($000)
3 Consolidated Agencies and Crown Corporations		
P.E.I. Business Development Inc	16,846	20,889
P.E.I. Lending Agency	150	246
	16,996	**21,135**

4 Student Loans

Effective August 1, 2001 the Province entered into an agreement with Credit Union Central of PEI for the funding and delivery of the PEI Student Loan Program. All provincial student loans issued under this new program are guaranteed by the Province. As at March 31, 2002 the total loans issued and guaranteed under the new program was $5 million.

Prior to August 1, 2001 the Province paid a risk premium, in lieu of providing loan guarantees, to banks who provided student loans. As an exception, a loan guarantee is provided to lendors by the Province for loans which meet defined conditions. Due to the nature of the old student loan program the total amount of outstanding loans, guaranteed by the Province per the defined conditions, is uncertain. For those loans undertaken by the Province per loan guarantees under the old program $474 thousand (2001 - $361 thousand) remains unpaid at March 31, 2002.

Subsequent to March 31, 2002, the Province applied PEI Debt Reduction Grants in the amount of $171 thousand and Canada Millennium Grants in the amount of $1.3 million towards the guaranteed amount of provincial student loans.

21 Continuity of Provision for Doubtful Accounts

	Provision 31-Mar-01 ($000)	Written Off During Year 2001-2002 ($000)	Increase (Decrease) Provided 2001-2002 ($000)	Provision 31-Mar-02 ($000)
Accounts and Taxes Receivable:				
Operating Fund				
Provincial Sales Tax	1,470	643	782	1,609
Real Property Tax	229	64	100	265
Transportation & Public Works	-	-	1,585	1,585
East Prince Health	1,262		(22)	1,240
West Prince Health	176	-	8	184
P.E.I. Business Development Inc	192	-	(9)	183
	3,329	707	2,444	5,066
Inventory and Property Holdings:				
P.E.I. Business Development Inc	809	-	(405)	404
P.E.I. Lending Agency	359	-	(168)	191
	1,168	-	(573)	595
Investments:				
P.E.I. Business Development Inc	2,373	-	3,560	5,933
Loans Receivable:				
P.E.I. Business Development Inc	3,211	-	1,708	4,919
P.E.I. Lending Agency	6,594	1,063	2,417	7,948
	9,805	1,063	4,125	12,867
Loan Guarantees:				
P.E.I. Business Development Inc	3,762	3,003	1,066	1,825
P.E.I. Lending Agency	50	-	-	50
	3,812	3,003	1,066	1,875
Total	**20,487**	**4,773**	**10,622**	**26,336**

The Provision for Doubtful Accounts for Accounts Receivable is deducted from Accounts Receivable in Schedule 11.
Inventory and Property Holdings are presented net of the Provision for Doubtful Accounts in Schedule 13.
Investments are presented net of the Provision for Doubtful Accounts in Schedule 14.
The Provision for Doubtful Accounts for Loans Receivable is deducted from Loans Receivable in Schedule 16.
The Provision for Doubtful Accounts for Loan Guarantees is included in Accounts Payable - Consolidated Agencies and Crown Corporations in Schedule 3.

22 Schedule of Debentures Issued and Matured

ISSUED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Price Received
Operating Fund					
Provincial Debenture	29-Jan-02	6.25%	29-Jan-32	**100,000**	99.49
Sinking Fund					
Canada Pension Plan	01-Apr-01	6.52%	02-Apr-21	1,272	100.00
	01-May-01	6.71%	01-May-21	1,472	100.00
	01-Jun-01	6.85%	01-Jun-21	1,520	100.00
	02-Jul-01	6.73%	03-Jul-21	953	100.00
	04-Aug-01	6.74%	07-Aug-21	848	100.00
	01-Sep-01	6.48%	04-Sep-21	793	100.00
	01-Oct-01	6.90%	01-Oct-21	798	100.00
	02-Nov-01	6.38%	02-Nov-21	764	100.00
	01-Dec-01	6.44%	03-Dec-21	443	100.00
	04-Jan-02	6.43%	04-Jan-22	537	100.00
	01-Feb-02	6.38%	01-Feb-22	543	100.00
	01-Mar-02	6.40%	01-Mar-22	1,431	100.00
				11,374	
Total Debentures Issued				**111,374**	

MATURED/CALLED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Amount Matured ($000)
Operating Fund					
Provincial Debenture	15-Dec-95	7.769%	Quarterly	25,000	**3,259**
Sinking Fund					
Canada Pension Plan	01-Apr-81	13.66%	01-Apr-01	1,272	1,272
	01-May-81	13.69%	01-May-01	1,472	1,472
	01-Jun-81	15.69%	01-Jun-01	1,520	1,520
	02-Jul-81	14.81%	02-Jul-01	953	953
	04-Aug-81	15.31%	04-Aug-01	848	848
	01-Sep-81	17.01%	01-Sep-01	793	793
	01-Oct-81	17.00%	01-Oct-01	798	798
	02-Nov-81	17.51%	02-Nov-01	894	894
	01-Dec-81	15.93%	01-Dec-01	443	443
	04-Jan-82	14.51%	04-Jan-02	537	537
	01-Feb-82	15.50%	01-Feb-02	543	543
	01-Mar-82	16.10%	01-Mar-02	1,431	1,431
					11,504
Provincial Debenture	15-Dec-81	16.250%	15-Dec-01	13,488	13,488
	12-Dec-84	12.750%	12-Dec-04	31,352	31,352
					56,344
Total Debentures Matured / Called					**59,603**

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Statement of Revenue and Expenditure
for the year ended March 31, 2002

		2002 ($000)	2001 ($000)
	Revenue		
23	**Taxes**		
	Personal Income Tax	156,385	141,425
	Sales Tax	158,466	153,021
	Real Property Tax	48,553	45,237
	Gasoline Tax	32,239	32,942
	Corporate Income Tax	27,046	36,485
	Health Tax on Tobacco	17,487	14,297
	Health Tax on Liquor	10,982	10,408
	Insurance Premium Tax	6,195	5,944
	Corporation Capital Tax	1,678	1,464
	Other	626	514
		459,657	**441,737**
24	**Licenses and Permits**		
	Motor Vehicle Registry	11,366	11,112
	Registration & Licensing Act	652	675
	Securities Act	1,610	1,451
	Security Brokers and Salesmen Licenses	1,114	1,048
	Other	2,111	2,137
		16,853	**16,423**
25	**Fees and Services**		
	Patient Fees	10,414	9,553
	Housing Rental	4,460	4,407
	Land Title and Registry Fees	1,863	1,614
	Fines and Penalties	636	591
	R.C.M.P. Recoveries	700	703
	Campground Fees	667	637
	Third Party Insurance	1,906	1,558
	Probate Court Fees	1,012	1,034
	Consolidated Agencies and Crown Corporations	15,671	15,497
	Other	5,309	6,573
		42,638	**42,167**
26	**Sales**		
	Lottery Revenue	14,250	14,174
	Liquor Control Commission	10,178	10,035
	Consolidated Agencies and Crown Corporations	376	363
	Other	2,593	2,555
		27,397	**27,127**

	2002 ($000)	2001 ($000)
27 Investment Income		
Operating Fund	1,954	3,735
PEI Lending Authority	10,641	9,152
Other Consolidated Agencies	1,348	2,342
	13,943	**15,229**
28 Other Income		
East Prince Health Authority	483	818
Eastern Kings Health Authority	329	331
Queens Region Health Authority	2,877	2,946
Southern Kings Health Authority	147	183
West Prince Health Authority	486	332
PEI Business Development Inc	4,218	4,771
PEI Lending Agency	348	530
PEI Museum and Heritage Foundation	98	242
Tourism PEI	1,533	1,707
Other Consolidated Agencies	44	240
	10,563	**12,100**
29 Government of Canada		
Equalization	282,304	270,328
Canada Health and Social Transfer	88,905	76,707
Economic Regional Development Agreement	702	4,320
Housing Programs	2,096	2,149
Young Offenders Services	2,435	2,183
Minority & Second Language	4,959	2,090
French Service Agreement	1,454	1,801
Infrastructure Program	3,954	-
Statutory Subsidy	674	674
Rehabilitation Programs	775	743
Atlantic Freight Transistion Program	365	106
Labour Market Development Agreement	3,604	4,206
Agriculture and Agri-Food Canada	505	13,398
PEI Agricultural Insurance Corporation (Note 10)	10,765	-
Potato Seed Quality Improvement Program	739	862
Canadian Health Infrastructure Partnership	1,578	-
Other	4,548	4,146
	410,362	**383,713**
30 Capital Revenue		
Land Sales	589	741
Other	-	346
	589	**1,087**

	2002 ($000)	2001 ($000)
Expenditure		
31 Agriculture and Forestry		
Department of Agriculture and Forestry	24,752	50,503
PEI Agricultural Insurance Corporation (Note 10)	25,796	-
PEI Agricultural Research Investment Fund	367	644
PEI Grain Elevators Corporation (Operating Grant)	165	316
	51,080	**51,463**
32 Community and Cultural Affairs		
Department of Community & Cultural Affairs	19,045	13,142
PEI Human Rights Commission	316	294
PEI Museum and Heritage Foundation	1,189	1,314
	20,550	**14,750**
33 Development and Technology		
Department of Development and Technology	8,325	10,184
Employment Development Agency	5,074	5,128
Innovative Solutions Agency (PEI) Inc	76	155
PEI Business Development Inc	44,591	46,718
PEI Energy Corporation (Note 10)	313	491
Technology Asset Management	1,631	495
	60,010	**63,171**
34 Education		
Department of Education	201,221	192,570
PEI Regulatory and Appeals Commission (Operating Grant)	1,065	1,065
	202,286	**193,635**
35 Fisheries, Aquaculture and Environment		
Dept. of Fisheries, Aquaculture and Environment	9,186	8,021
PEI Aquaculture and Fisheries Research Initiative	67	138
	9,253	**8,159**
36 Health and Social Services		
Department of Health and Social Services	86,451	82,175
East Prince Health Facility	20,141	5,895
East Prince Health Authority	55,413	52,212
Eastern Kings Health Authority	12,643	12,183
Queens Region Health & Community Services	164,158	156,780
Southern Kings Health Authority	16,932	15,780
West Prince Health Authority	19,534	18,189
	375,272	**343,214**

	2002 ($000)	2001 ($000)
37 Provincial Treasury		
Department of Provincial Treasury	18,073	16,891
Council of Maritime Premiers	184	184
PEI Lending Agency	3,303	2,757
General Government	6,118	5,242
Interministerial Women's Secretariat	322	317
PEI Self Insurance and Risk Management Fund	1,169	1,172
	29,169	**26,563**
38 Public Service Commission		
Public Service Commission	5,300	4,850
Employee Benefits	15,954	15,895
	21,254	**20,745**
39 Tourism		
Department of Tourism	90	139
Tourism PEI	17,946	24,642
	18,036	**24,781**
40 Transportation & Public Works		
Department of Transportation & Public Works	70,835	70,239
Capital Expenditures of the Operating Fund	30,967	29,345
Island Waste Management Corporation	-	7,093
	101,802	**106,677**
41 Pension Adjustment		
The following components of the Pension Adjustment are non-cash items:		
Amortization of Actuarial Adjustments	2,375	(112)
Interest on Pension Obligations	(11,058)	-
	(8,683)	**(112)**
42 Expenditure by Object		
Administration	20,511	23,618
Capital	46,077	38,123
Equipment	10,710	10,728
Debt - Interest Charges	107,113	107,752
Debt - Provisions and Other	10,995	8,751
Materials and Supplies	59,228	73,084
Professional and Contract Services	127,263	98,232
Salaries and Benefits	412,496	392,079
Travel and Training	8,231	8,855
Transfer Payments	230,032	235,088
Total Expenditure by Object	**1,032,656**	**996,310**

43 Reconciliation of Consolidated Surplus (Deficit)

	2001-02 Surplus (Deficit) ($000)		Consolidation Adjustments ($000)	2001-02 Consolidated Surplus (Deficit) ($000)
Operating Fund				
Ordinary Revenue and Expenditure	13,340		-	13,340
Capital Revenue and Expenditure	(30,378)		-	(30,378)
	(17,038)		-	**(17,038)**
Consolidated Agencies				
East Prince Health	-		-	-
Eastern Kings Health	-		-	-
Eastern School District	-		341	341
French Language School Board	-		-	-
Innovative Solutions Agency (PEI)	(40)		5	(35)
PEI Agricultural Insurance Corporation	(4,629)			(4,629)
PEI Agricultural Research Invest.	73		-	73
PEI Aquaculture & Fisheries Research Initiative Inc	56		-	56
PEI Business Development Inc	(365)	1	(11,206)	(11,571)
PEI Crown Building Corporation	-		-	-
PEI Housing Corporation	-		1,082	1,082
PEI Human Rights Commission	(10)		-	(10)
PEI Lending Agency	103		-	103
PEI Museum & Heritage Foundation	29		9	38
PEI Self Insurance & Risk Management Fund	88		-	88
PEI Special Projects Fund	(7,286)		-	(7,286)
Queens Health Region	-		-	-
Southern Kings Health	-		-	-
Tourism PEI	(289)		363	74
West Prince Health	-		-	-
Western School Board	-		51	51
	(12,270)		(9,355)	(21,625)
Surplus (Deficit) Before Adjustments	(29,308)		(9,355)	(38,663)
Gain on Government Business Enterprises (Sched 15)				1,373
Consolidated Surplus (Deficit)				**(37,290)**

1 The surplus of PEI Business Development Inc, for the year ended March 31, 2002, has been restated. A $275 thousand deferred credit on the balance sheet of BDI has been eliminated and the corresponding expenditure has been reduced because the transaction did not occur with a third party organization.

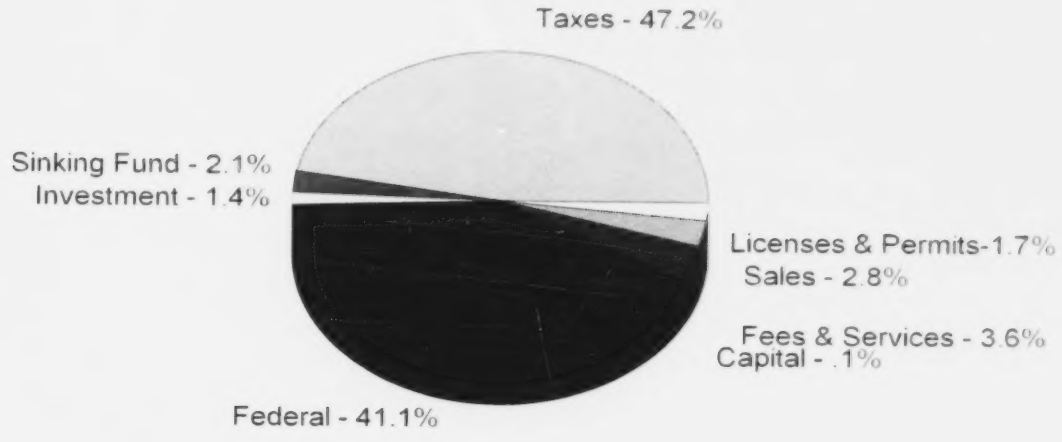
Province of
Prince Edward Island

Operating Fund

Statements and Schedules

Revenue

Operating Fund

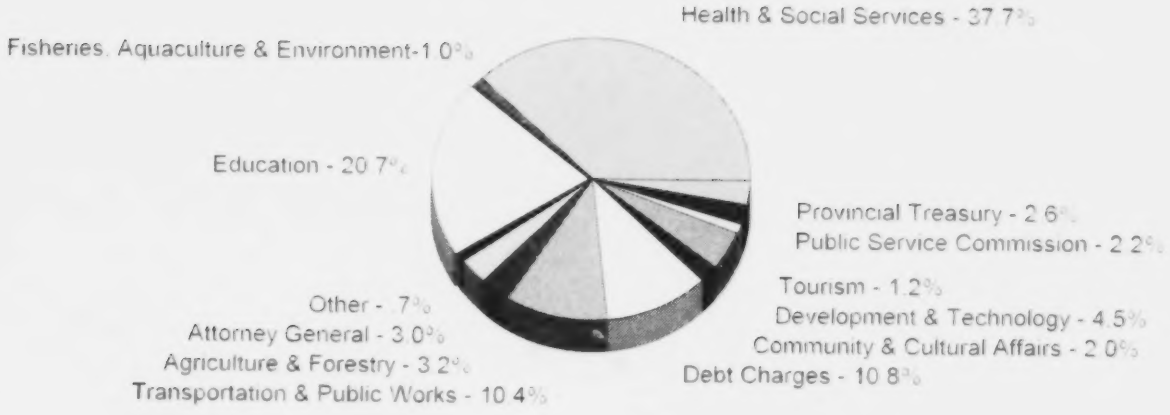


Total revenue in 2001/02 for the Operating Fund was $973.6 million, $22 million more than in 2000/01.

Increases were mainly in: Taxes ($17.9 million); and the Federal Government ($17 million). These increases were offset by a decrease in Fees and Services ($12.1 million)

Expenditure by Ministry

Operating Fund

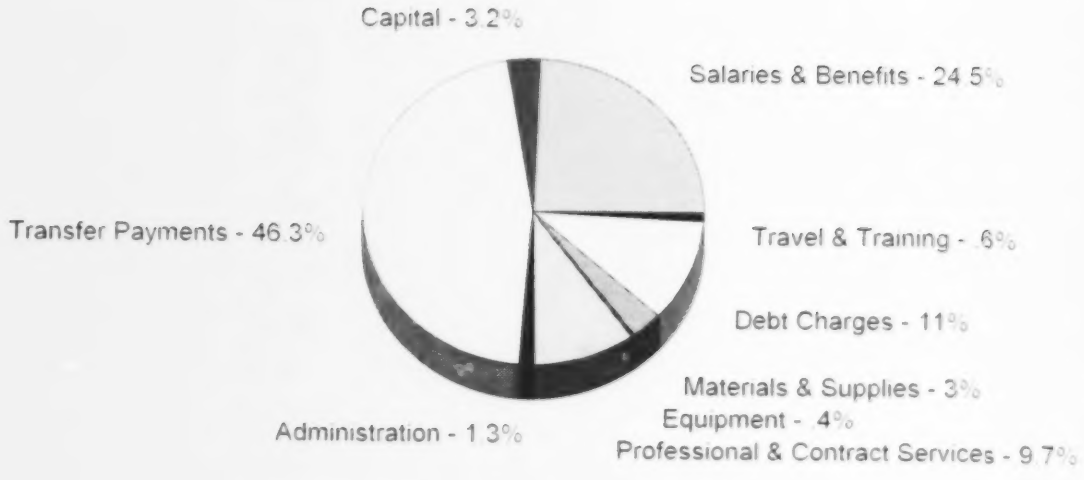

Health & Social Services - 37.7%
Fisheries, Aquaculture & Environment-1.0%
Education - 20.7%
Provincial Treasury - 2.6%
Public Service Commission - 2.2%
Tourism - 1.2%
Development & Technology - 4.5%
Community & Cultural Affairs - 2.0%
Debt Charges - 10.8%
Other - .7%
Attorney General - 3.0%
Agriculture & Forestry - 3.2%
Transportation & Public Works - 10.4%

Total expenditure in 2001/02 for the Operating Fund was $981.9 million, $18.8 million more than in 2000/01.

Increases were mainly in: Health and Social Services ($36.3 million); Education ($10.8 million) and Community and Cultural Affairs ($5.9 million). These increases were offset by decreases in: Agriculture and Forestry ($20 million); and Development and Technology ($19.5) million.

Expenditure by Object

Operating Fund


Capital - 3.2%
Salaries & Benefits - 24.5%
Transfer Payments - 46.3%
Travel & Training - .6%
Debt Charges - 11%
Materials & Supplies - 3%
Equipment - .4%
Administration - 1.3%
Professional & Contract Services - 9.7%

Total expenditure in 2001/02 for the Operating Fund was $981.9 million, $18.8 million more than in 2000/01.

Increases were mainly in: Salaries and Employee Benefits ($9.6 million).

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Prince Edward Island

These financial statements report transactions and events of the Operating Fund only. Significant financial activities of the Government occur outside this Fund. Therefore, readers should not use the Operating Fund's financial statements to understand and assess the Government's management of public financial affairs and resources as a whole.

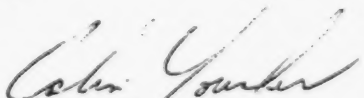
Volume 1 of the Public Accounts also includes a more complete set of financial statements. Those statements are called the *Consolidated (Summary) Financial Statements* of the Province of Prince Edward Island. Their purpose is to report the full nature and extent of the financial affairs and resources for which the Government is responsible. Please refer to those summary statements to understand and assess the Government's management of public financial affairs and resources as a whole.

I have audited the Operating Fund statement of financial position of the Province of Prince Edward Island as at March 31, 2002 and the statement of revenue and expenditure, changes in net debt and cash flows for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these Operating Fund financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 2002 and the results of its operations, the changes in net debt and the cash flows for the year then ended in accordance with the basis of accounting disclosed in the notes to the financial statements.

Additional information and comments on the financial statements are included in my Annual Report to the Legislative Assembly.



Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
December 6, 2002

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Financial Position
as at March 31, 2002

		2002 ($000)	2001 ($000)
	LIABILITIES		
Schedule			
1	Bank Advances	25,808	4,772
2	Deferred Revenue/Credits	36,157	16,896
3	Accounts Payable	146,520	146,670
4	Accrued Liabilities	89,637	87,586
5	Short Term Loans	110,000	158,273
6	Obligation Under Capital Leases	5,369	27,285
7	Loans Payable	1,853	3,067
8	Pension Obligations	153,936	228,841
9	Debentures	1,041,730	989,959
	Total Liabilities	**1,611,010**	**1,663,349**
	ASSETS		
10	Accounts and Taxes Receivable	100,516	96,606
11	Treasury Advances	1,206	1,045
12	Inventories	88	82
13	Investments	4	4
9	Sinking Fund and Debt Reduction Fund	248,462	301,410
14	Loans Receivable	198,418	182,334
15	Deferred Charges	9,286	45,876
	Total Assets	**557,980**	**627,357**
	NET DEBT	**1,053,030**	**1,035,992**

16 Tangible Capital Assets
17 Trust Funds
18 Guaranteed Debt

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Revenue and Expenditure
for the year ended March 31, 2002

Schedule		2002 Unaudited Estimate ($000)	2002 Unaudited Forecast ($000)	2002 Actual ($000)	2001 Actual ($000)
	REVENUE				
21	Taxes	451,703	452,899	459,657	441,737
22	Licenses and Permits	15,102	16,892	16,717	16,308
23	Fees and Services	38,250	39,573	34,819	46,899
24	Sales	28,313	28,161	27,021	26,764
25	Investment	12,414	12,440	13,669	12,577
26	Government of Canada	389,977	399,916	400,458	383,477
	Capital Revenue	425	776	589	1,087
	Sinking Fund Earnings	21,550	21,550	20,674	22,798
	Total Revenue	**957,734**	**972,207**	**973,604**	**951,647**
	EXPENDITURE				
27	Agriculture and Forestry	32,987	32,394	31,514	51,539
	Attorney General	29,342	30,095	29,853	27,774
	Auditor General	1,264	1,222	1,138	1,070
	Community and Cultural Affairs	18,277	21,863	20,121	14,249
28	Development and Technology	41,208	44,390	44,201	63,694
29	Education	200,198	201,410	203,004	192,191
	Executive Council	2,856	3,151	2,918	2,902
	Fisheries, Aquaculture and Environment	8,083	9,348	9,286	8,071
30	Health and Social Services	357,867	371,726	370,574	334,300
	Legislative Assembly	3,103	3,103	2,922	3,652
31	Provincial Treasury	27,958	27,652	25,957	24,927
32	Public Service Commission	16,022	20,438	21,253	21,215
33	Tourism	10,908	11,800	11,793	10,249
	Transportation and Public Works	71,108	71,083	70,835	70,239
	Interest Charges on Debt	108,972	106,100	105,623	107,743
	Total Ordinary Expenditure	**930,153**	**955,775**	**950,992**	**933,815**
	Capital Expenditure	28,980	30,980	30,967	29,345
	Total Expenditure	**959,133**	**986,755**	**981,959**	**963,160**
	Surplus (Deficit) Before Pension Adjustment	**(1,399)**	**(14,548)**	**(8,355)**	**(11,513)**
34	Pension Adjustment	3,000	-	(8,683)	(112)
	SURPLUS (DEFICIT)	**1,601**	**(14,548)**	**(17,038)**	**(11,625)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Ordinary Expenditure by Object
for the year ended March 31, 2002

Department	Administration	Debt	Equipment	Materials and Supplies	Professional & Contract Services	Salaries & Employee Benefits	Travel & Training	Transfer Payments	Total	Unaudited Estimate
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Agriculture and Forestry	492	-	186	1,079	2,652	10,293	1,007	15,805	31,514	32,987
Attorney General	563	-	246	818	11,169	16,046	539	472	29,853	29,342
Auditor General	29	-	8	9	1	1,065	14	12	1,138	1,264
Community and Cultural Affairs	356	-	109	663	455	6,345	284	11,909	20,121	18,277
Development and Technology	458	-	87	1,804	441	4,581	145	36,685	44,201	41,208
Education	975	2	676	2,610	813	119,102	380	78,446	203,004	200,198
Executive Council	80	-	22	19	267	2,296	173	61	2,918	2,856
Fisheries, Aquaculture and Environment	232	-	107	513	808	4,644	498	2,484	9,286	8,083
Health and Social Services	815	-	865	2,362	62,843	8,958	446	294,285	370,574	357,867
Legislative Assembly	123	-	18	40	63	2,368	136	174	2,922	3,103
Provincial Treasury	2,440	882	672	2,668	1,250	11,116	768	6,161	25,957	27,958
Public Service Commission	232	-	54	106	1,755	18,995	93	18	21,253	16,022
Tourism	8	-	1	25	1	4,412	8	7,338	11,793	10,908
Transportation and Public Works	5,617	1,747	791	17,220	12,736	31,130	1,101	493	70,835	71,108
Interest Charges on Debt	-	105,623	-	-	-	-	-	-	105,623	108,972
Total Expenditures	12,420	108,254	3,842	29,936	95,254	241,351	5,592	454,343	950,992	930,153
Percentage of Total Expenditures	1.3	11.4	0.4	3.1	10.0	25.4	0.6	47.8	100.0	

Note 1 - Debt charges to Provincial Treasury and Transportation & Public Works are for bad debt expenses

Note 2 - Salaries include the salaries paid to School Unit Employees.

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Capital Revenue and Expenditure
for the year ended March 31, 2002

	2002 Unaudited Estimate ($000)	2002 Unaudited Forecast ($000)	2002 Actual ($000)	2001 Actual ($000)
REVENUE				
Land Sales	295	295	243	741
Other	130	481	346	346
Total Capital Revenue	**425**	**776**	**589**	**1,087**
EXPENDITURE				
Highways				
Bridges and Culverts	3,676	4,661	4,908	2,545
Highways Equipment	1,500	1,517	1,532	1,487
Paving	5,606	5,236	5,497	5,316
Reconstruction	15,215	17,453	17,092	17,074
Total Highways	25,997	28,867	29,029	26,422
Buildings				
Brighton Road Office Complex	-	-	-	201
Environmental Services Lab	-	-	-	235
Holland College Royalty Centre	-	273	270	250
O'Leary Community Hospital	760	-	-	-
Portage Visitor Information Centre	525	450	390	21
Prince County Courthouse	500	200	5	-
Provincial Correction Centre	52	75	48	-
Shaw Building	225	240	223	210
Sherwood Administration Building	-	350	349	-
Sullivan Building	-	-	-	289
Other	-	160	-	334
Total Buildings	2,062	1,748	1,285	1,540
Other Capital Assets				
Dump Site Decommissioning	-	-	-	327
Land Purchase	295	295	623	353
Provincial Parks Waste Treatment Facilities	626	70	-	-
Other	-	-	30	703
Total Other Capital	921	365	653	1,383
Total Capital Expenditure	**28,980**	**30,980**	**30,967**	**29,345**
NET CAPITAL EXPENDITURE	**28,555**	**30,204**	**30,378**	**28,258**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Changes in Net Debt
for the year ended March 31, 2002

	2002 ($000)	2001 ($000)
Net Debt Beginning of Year	**1,035,992**	**1,024,367**
Net Debt Increased by:		
Operating Fund Deficit	17,038	11,625
Net Debt End of Year	**1,053,030**	**1,035,992**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Statement of Cash Flows
for the year ended March 31, 2002

	2002 ($000)	2001 ($000)
Operating Activities		
Surplus (Deficit) for the year	(17,038)	(11,625)
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	(3,910)	(13,932)
Treasury Advances - (Increase) Decrease	(161)	(262)
Inventories - (Increase) Decrease	(6)	228
Deferred Charges - (Increase) Decrease	36,590	(36,448)
Deferred Revenue - Increase (Decrease)	19,261	(2,776)
Accounts Payable - Increase (Decrease)	(150)	(5,353)
Accrued Liabilities - Increase (Decrease)	2,051	3,050
Pension Obligations - Increase (Decrease)	(74,905)	25,599
Cash Provided by (Used for) Operating Activities	**(38,268)**	**(41,519)**
Investing Activities		
Changes in:		
Net Loans Receivable - (Increase) Decrease	(16,084)	(42,617)
Cash Provided by (Used for) Investing Activities	**(16,084)**	**(42,617)**
Financing Activities		
Debentures Issued	111,374	9,136
Debentures Matured / Called	(59,603)	(14,140)
Changes in:		
Short Term Loans - Increase (Decrease)	(48,273)	101,142
Long Term Loans - Increase (Decrease)	(1,214)	(685)
Obligation Under Capital Leases - Increase (Decrease)	(21,916)	(169)
Sinking Fund - (Increase) Decrease	52,948	(14,031)
Cash Provided by (Used for) Financing Activities	**33,316**	**81,253**
Increase (Decrease) in Cash and Temporary Investments	(21,036)	(2,883)
Cash and Temporary Investments (Bank Advances), beginning of year	(4,772)	(1,889)
Cash and Temporary Investments (Bank Advances), end of year	**(25,808)**	**(4,772)**

(The accompanying schedules and notes are an integral part of these financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Position
as at March 31, 2002

	2002 ($000)	2001 ($000)
ASSETS		
Cash	5	5
Accrued Interest	2,936	4,170
Accounts Receivable	23,198	23,189
	26,139	27,364
Investments	222,327	274,049
Total Assets	**248,466**	**301,413**
LIABILITIES		
Accounts Payable	4	3
SINKING FUND (DEBENTURES) RESERVE	162,549	246,938
MARKET CONTINGENCY FUND RESERVE *	-	54,472
DEBT REDUCTION FUND RESERVE *	85,913	-
	248,462	301,410
Total Liabilities and Fund Reserves	**248,466**	**301,413**

* In June 2001 the Province established the Debt Reduction Fund for the purpose of retiring public debt and reducing interest charges on debt. Effective April 1, 2001 funds in the Sinking Fund designated for Canada Pension Plan debentures, as well as those funds designated as Market Contingency Funds were transferred to the Debt Reduction Fund.

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Financial Activities
for the year ended March 31, 2002

	2002 ($000)	2001 ($000)
Sinking Fund Earnings		
Interest	20,908	22,997
Gain on Sale of Debentures	118	184
	21,026	23,181
Expenses		
Bank Charges	47	28
Amortization of Debenture Discount	305	355
	352	383
Net Sinking Fund Earnings	**20,674**	**22,798**
Add:		
Instalments from Operating Fund	11,131	11,265
Debentures Issued During Year	11,374	9,136
Less:		
Payments to Pension Funds	(18,048)	(18,048)
Debentures Which Matured During the Year	(56,344)	(11,120)
Payment of Capital Lease - Hillsborough Bridge	(21,735)	-
Increase (decrease) in Sinking Fund Reserve	**(52,948)**	**14,031**
Sinking Fund Reserves, Beginning of Year	**301,410**	**287,379**
Sinking Fund Reserves, End of Year	**248,462**	**301,410**

PROVINCE OF PRINCE EDWARD ISLAND

Sinking Fund and Debt Reduction Fund
Statement of Investments
as at March 31, 2002

	2002 ($000)	2001 ($000)
Book Value of Investments		
Debentures-Par Value	142,199	194,003
Add: Unamortized Premium	2,115	1,682
	144,314	195,685
Debentures-Residuals	78,013	77,914
Mortgage Receivable	-	450
Total Book Value of Investments	**222,327**	**274,049**
Market Value of Investments		
Market Value of-Debentures	245,892	303,116
-Mortgage Receivable	-	484
Total Market Value of Investments	**245,892**	**303,600**

PROVINCE OF PRINCE EDWARD ISLAND

Notes to Operating Fund Financial Statements
For the year ended March 31, 2002

1 (a) Reporting Entity

In accordance with the Financial Administration Act, the financial position of the Province is presented by a Statement of Financial Position of the Operating Fund. The Operating Fund receives all revenues unless otherwise specified by law . Spending from the Operating Fund is appropriated by the Legislative Assembly.

Government entities, such as agencies and crown corporations, report separately in other financial statements. The Province's consolidated (summary) financial statements includes the combined financial position, and financial activities, of the Operating Fund and other government entities. The consolidated financial statements are provided separately.

(b) Definitions

Capital Expenditure
Expenditures incurred in the acquisition, development or construction of capital assets and equipment with a cost of $50 thousand or greater. They do not include operational expenses. Capital expenditures are generally for highway construction and buildings. Capital expenditures are reported as expenditures in the year they are made.

Tangible Capital Assets
Non-financial assets that are held for use in the production or supply of goods and services, have useful lives extending beyond one accounting period and are not intended for sale in the ordinary course of operations.

Ordinary Expenditures:
Administration
Includes the costs associated with the operation and administration of an office.

Debt
Includes the cost of servicing the public debt and provision for losses.

Equipment
Includes equipment costing less than $50 thousand and not permanently attached to buildings.

Materials and Supplies
Includes the cost of consumable supplies required in day to day operations.

Professional and Contract Services
Includes professional and contract services from non - government individuals or organizations.

Salary and Employee Benefits
Includes costs associated with employment of individuals such as salaries, severance and retirement allowances, workers compensation and employer share of insurance, Blue Cross, Canada Pension Plan, unemployment insurance, etc.

Travel and Training
Includes all costs associated with travel and training of provincial government employees.

Transfer Payments
Payments to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return. Transfer payments are recognized by the Province as expenditures in the period during which both the payment is authorized and any eligibility criteria are met.

Inventory
Includes only that which is held for resale. Commodities relating to consumable goods are valued at nil.

2 Basis of Accounting

(a) The Province of Prince Edward Island accounts for its financial transactions in accordance with generally accepted accounting principles, which for the purposes of the Province's financial statements is represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards.

(b) The financial transactions recorded in the Accounts of the Province and reflected in the Public Accounts are classified as budgetary and non-budgetary.

In general terms budgetary transactions are those which enter into the calculation of the annual budgetary surplus or deficit and are disclosed in the Statement of Revenue and Expenditure, both Capital and Ordinary Revenues and Expenditures are included. Non-budgetary transactions lead to the acquisition or disposal of financial assets, or to the creation or discharge of financial obligations, which are disclosed in the Statement of Financial Position.

(c) Liabilities

Bank advances represent net cash position including bank balances and term deposits.

Deferred revenue represents amounts received but not earned.

Payables, accruals and other liabilities are recorded for all amounts due for work performed, goods or services received and other charges incurred in the fiscal year.

Borrowings are recorded at face value.

Obligation under capital lease represents the liability recorded for contractual arrangements which are deemed to be capital leases. Establishment of a capital lease recognizes the lease contract as a financing tool to acquire an asset.

Pension obligations represent the Province's net pension liability as calculated using an accrued benefits actuarial method. The net pension liability represents accrued pension benefits less the market value of pension assets.

Debentures represent the gross funded debt of Province of PEI public debenture issues, private debenture issues and Canada Pension Plan debenture issues.

(d) Assets

Receivables are recorded for all amounts due for work performed and goods or services supplied in the fiscal year. A provision for loss is established for doubtful accounts.

Loans receivable are recorded at cost. A provision for loss is established for doubtful accounts.

Inventories are recorded at the lower of cost or net realizable value.

Investments are recorded at the lower of cost or net realizable value.

Sinking fund assets are recorded at cost. A portion of the sinking fund assets are externally restricted.

Deferred charges represent recorded expenditures which will be included in the Statement of Revenue and Expenditure in future years.

(e) Net Debt

The Province's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Province is determined by its liabilities less its listed assets.

(f) Revenues

Revenues are recorded on an accrual basis. Payments from Canada under the Federal - Provincial Fiscal Arrangements, the Canada Health and Social Transfer and the Tax Collection Agreement are based on estimates These estimates are adjusted against future years revenues when actual results become available.

(g) Expenditures

Expenditures are recorded on an accrual basis.

Tangible capital assets are reported as expenditures in the year the assets are acquired, they are not included in the Province's Statement of Financial Position. Schedule 16 (unaudited) is provided to inform financial statement users of the net book value of the tangible capital assets available for use by the Province. Amortization, which is not reported in the Statement of Revenue and Expenditure, is calculated using the straight line and declining balance methods at the following annual rates:

Buildings	Declining Balance - 5%
Leasehold Improvements	Straight Line - Based on Length of Lease
Roads	Declining Balance - 10%
Bridges	Declining Balance - 5%
Motor Vehicles	Declining Balance -15% - 20%
Equipment	Straight Line - 20%
Computer Equipment	Straight Line - 20%
Other	Straight Line - 5% - 20%

3 Province of Prince Edward Island Sinking Fund and Debt Reduction Fund

(a) Description of Sinking Funds

The Province of Prince Edward Island Sinking Fund was established to reserve funds to meet future commitments and for debt retirement. Earnings on Sinking Funds are reflected as current revenue. The Sinking Fund is made up of two components:

Sinking Fund (Debentures)

Those funds in the Sinking Fund designated for debentures are considered to be externally restricted and as a result can not be used for other purposes. Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund, and as such, are treated as a non-budgetary item. The installment payments for the next five years are:

	($000)
2002-2003	11,698
2003-2004	11,674
2004-2005	10,743
2005-2006	10,743
2006-2007	10,743

Debt Reduction Fund
The Debt Reduction Fund was established from over-funding of Provincial debenture issues and installments made to the Sinking Fund for Canada Pension Plan (CPP) debentures. There are no installment requirements for CPP debentures and there are no external restrictions on funds contributed to the Sinking Fund for the retirement of CPP debentures. The purpose of the Debt Reduction Fund is the retirement of public debt and the reduction of interest charges on debt.

(b) PEI Issues Held by the Sinking Fund

As at March 31, 2002 Sinking Fund investments include PEI Issues held but not cancelled in the amounts of:

	($000)		($000)
Debentures - Par Value	25,250	Book Value	27,700
Residuals - Par Value	99,608	Book Value	65,032

4 Solid Waste Landfill Closure and Post-Closure Liability

Public Sector Accounting Board Recommendations provide guidelines for disclosing a liability resulting from the operation of landfill sites. This liability applies to all operating and closed landfill sites of government and their organizations. The liability includes the estimated cost of activities related to closing landfill sites and the estimated cost of monitoring the site once it is no longer accepting waste. The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of a provincial agency. The provincial agency will be disclosing a liability related to the closure and post-closure costs of two major landfill sites, both of which were in use at March 31, 2002. Costs associated with the closure and decommissioning of other provincial landfill and dump sites are the responsibility of the Province. The Province is in the process of determining its liability related to these sites for disclosure in future Public Accounts.

5 Commitments

(a) Central Mortgage and Housing Corporation

The Province is committed to pay half the cost of a loan from Central Mortgage and Housing Corporation, for the development of the Charlottetown Area Pollution Control and Summerside Sewage Disposal systems. The Province's share of the outstanding loan balance as at March 31, 2002 was $341 thousand (2001 - $453 thousand). An amount of $172 thousand is included in the 2002-2003 budget of the Department of Community and Cultural Affairs, to meet the Province's principal and interest commitment for the fiscal year.

(b) K.C. Irving Chemistry Building

The Province is committed to make payments over a ten year period totaling $1 million plus interest on the outstanding balance. The outstanding balance as at March 31, 2002 was $500 thousand (2001 - $600 thousand). An amount of $150 thousand is included in the 2002-2003 budget of the Department of Education to meet the Province's principal and interest commitment for the fiscal year.

(c) Leases

The Province is party to a significant number of lease agreements. The following list contains those leases where the annual lease payments exceed one hundred thousand dollars.

Asset Description	Annual Lease Cost ($000)		Lease Expiration
Sir Henry Davies Law Courts *	878	**	March 21, 2128
Health and Social Services Office	335		March 31, 2012
Queens Health Region Office	402		May 14, 2012
Ch'town Highway Safety Division Office	159		June 30, 2007
Kelly Building (Provincial Court House) *	296		October 31, 2024
Access PEI Summerside Office	650		January 31, 2018
Eastern Kings Regional Services Centre	205		December 31, 2010
Morell Library	177		March 31, 2003
Blanchard Building	155		August 31, 2003
Concorde Building	147		June 30, 2009
Agriculture Canada Research Station	270		Being Negotiated
DocuTech 135 High Speed Copier	129		April 26, 2006
Unisys Mainframe Computer	663		March 31, 2003

* Capital Leases
Costs associated with renovations to the Davies and Kelly Law Courts Buildings have been recorded as capital leases. These capital lease obligations are recorded as liabilities in the Statement of Financial Position.

** Sir Henry Davies Law Court Lease
For the period November 1, 2019 to March 21, 2128 the annual base rent is $1.

(d) Pension Obligations

Acts to amend the Civil Service Superannuation Fund and the Teachers' Superannuation Fund reflect that the Province shall pay $63.4 million and $129.4 million into the Funds respectively, from 1996 to 2005.

Additional payments will be made for interest revenue lost as a result of deferral of the 1997-98 installment to March 31, 1999. Interest in the amount of $3.7 million will be paid in seven annual installments commencing on April 1, 1998

(e) East Prince Health Facility

The Province has a commitment to complete construction of the East Prince Health Facility at an estimated project cost of $49.5 million. As at March 31, 2002 $26.1 million has been incurred on this project.

6 Contingent Liabilities

(a) Claims Outstanding

At March 31, 2002 there are twenty six (2001 - twenty) outstanding claims arising from legal action in progress against the Crown in respect of breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

The cost, if any, of nineteen of the twenty six claims outstanding will be paid through the Prince Edward Island Self-Insurance and Risk Management Fund. The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The Fund

provides general liability insurance, errors and omissions insurance and primary property and crime insurance. At March 31, 2002, fund reserves were $8 million, (2001 - $7.9 million). Claims amounting to $.5 million (2001 - $.6 million), were settled in the current year. The estimated amount for claims outstanding at March 31,2002 is $.8 million (2001 - $.5 million). The fund carries an excess liability policy limiting the liability of the fund to $5 million.

An estimated amount for settlement of the seven claims not being paid through the Self-Insurance and Risk Management Fund is $101 thousand (2001 - $686 thousand).

(b) Credit Union Deposit Insurance Corporation

The Credit Unions Act states that the Province shall ensure that the obligations of The Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits held by PEI credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. At December 31, 2001 the CUDIC had an equity balance of $3.6 million (2000 - $3 million). Based on unaudited information, at September 30, 2001 credit unions in Prince Edward Island held insurable deposits totalling $370.3 million (2000 - $330 million). The probability that the Province would be called upon to provide financial support to the CUDIC is unlikely due to the fact that, at September 30, 2001, the ten credit unions in PEI had total assets of $471.8 million (2000 - $419 million). At September 30, 2001 the ten credit unions had members' deposits and liabilities totalling $452.1 million (2000 - $402.5 million) leaving $19.7 million (2000 - $16.5 million) in members' equity.

(c) Guaranteed Debt

The Province has guaranteed the repayment of a variety of loans, including student loans. Guarantees amounting to $30.3 million (2001 - $21.9 million) are reported on Schedule 18.

7 Pension, Retirement and Other Obligations

(a) Change in Accounting for Obligations

The Province has adopted the recommendations of the Public Sector Accounting Board (PSAB) in accounting for its pension and other retirement obligation liabilities. Assumptions used in the valuation of these benefits and obligations are developed on two criteria; for funding purposes and for accounting purposes. In previous years the Province used funding assumptions in recording its pension and retirement obligations, for the year ended March 31, 2002 assumptions used were developed for accounting purposes.

(b) Pension Funds

Civil Service Superannuation Fund

Employees of the Province and certain of its entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 6.95 percent of their salary (8.75 percent when not contributing to CPP) with the Province matching those contributions. In 2002, total employee contributions for current year's service were $8.6 million (2001 - $8.1 million). Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 1,341 retirees (2001 - 1,321); benefit payments were $17.2 million in 2002 (2001 - $15.8 million)

An amendment to the Civil Service Superannuation Act on May 4, 1995 provided for the significant reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $11.6 million in 1995/96 and $5.8 million in the years 1996/97 to 2004/05.

Teachers' Superannuation Fund

The Teachers' Superannuation Act established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 7.2 percent of their salary (9 percent when not contributing to CPP) with the Province matching those contributions. In 2002, total employee contributions for current year's service were $5.5 million (2001 - $5.5 million). Investments of the Fund are adminsistered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best five years' average salary. The plan provides for inflation protection to a maximum of 4%. At present the plan provides benefits to 1,071 retirees (2001 - 1,022); benefit payments were $23.6 million in 2002 (2001 - $21 million).

An amendment to the Teachers' Superannuation Act on May 4, 1995 provided for the reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of $23.6 million in 1995/96 and $11.8 million in the years 1996/97 to 2004/05.

MLA Pension Fund (Old Plan)

The Legislative Assembly Retirement Allowances Act and Legislature and Executive Pensions Act provided a pension plan for members of the Legislative Assembly. The plan is operated within the MLA Pension Fund which is not part of the Operating Fund of the Province. Amendments in 1994 resulted in this plan being replaced by a new pension plan. Participants of the Old Plan will be entitled to benefits accruing under the terms of the plan up to and including June 30,1994. As a result, contributions to this fund ceased on June 30, 1994; however, investment interest and payments to existing pensioners will continue to be recorded to this fund. As well, the province provided $5 million in funding to eliminate the unfunded liability at June 30, 1994. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Annual Members' pensions are equal to the lesser of 75% of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75% of contributions and one half of the highest annual salary as a Minister. The plan provides for inflation protection to a maximum of 8%. At present the plan provides benefits to 72 retirees (2001 - 70); benefit payments were $1.1 million in 2002 (2001 - $1.1 million).

Pension Plan for Members of the Legislative Assembly (New Plan - Basic)

An Amendment to the Legislative Assembly Act in 1994 provided for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, the Speaker, Opposition House Leader, Government Whip and Opposition Whip. As a result of this amendment, a pension plan called the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" was established by the Commission with an effective start date of July 1, 1994. The plan is operated within the Pension Plan for Members of the Legislative Assembly (1994) which is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary with the Province matching those contributions. In 2002, total contributions for current year's service were $118.1 thousand (2001 - $112.6 thousand). Investments of the fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. Pension benefits are based on criteria which is different depending on the period of service. The criteria for the period June 20, 1994 to March 31, 2001 differs from the period April 1, 2001 to present. Benefits are based on the number of years of service times 2% of average annual indemnity (annual salary for Ministers) plus 25% of the required contributions made by the participants commencing after April 1, 2001. The plan provides for inflation

to a maximum of 8%. At present the plan provides benefits to 11 retirees (2001 - 10); benefit payments were $20.6 thousand in 2002 (2001 - $22.5 thousand).

Pension Plan for Members of the Legislative Assembly (New Plan - Supplementary)
The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. The supplementary plan is funded solely by the Operating Fund of the Province. At present the plan provides benefits to 20 retirees (2001 - 14); benefit payments were $53.9 thousand in 2002 (2001 - $47.8 thousand).

Senior Compensation Program
An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the Civil Service Superannuation Act. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 6 percent. At present the plan provides benefits to 14 retirees (2001 - 16); benefit payments were $306.5 thousand in 2002 (2001 - $257.9 thousand).

Pension Plan for Judges - Old
The Provincial Court Act provides a pension plan for Provincial Court judges who were appointed before April 1, 1997. The plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 8 percent. At present the plan provides benefits to 3 retirees (2001 - 3); benefit payments were $217.3 thousand in 2002 (2001 - $211.6 thousand).

Pension Plan for Judges - New
The Provincial Court Act established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997 which is supplementary to the benefits provided under the Civil Service Superannuation Act. The supplementary plan is funded solely by the Operating Fund of the Province. The plan provides for inflation protection to a maximum of 6 percent. At present there are no retirees under this plan.

Actuarial Valuations / Estimates
Actuarial Valuations of the Province's Pension Funds are carried out every three years. An estimated update, which is a partial calculation based on an extrapolation of the most recent valuation, is provided by the Province's actuarial consultants at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups which is 13 years for the Civil Service and Teachers and 6 years for MLAs.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The expected inflation rate is 2.5 percent. The discount rate used to determine accrued benefit obligation is 7.9 percent. Pension fund assets are valued at market values. The expected rate of return on plan assets is 7.9 percent. The actual return on plan assets was 7.3 percent in 2002 (2001 - 2.9 percent).

The following are the most recent actuarial valuations for the Province's four Pension Funds:

	Civil Service Fund	Teachers Fund	MLA Fund Old	MLA Fund New
Date of Valuation	01-Apr-99	01-Jul-99	01-Apr-00	01-Apr-00
	($000)	**($000)**	**($000)**	**($000)**
Actuarial Liability	367,574	392,767	13,088	1,206
Fund Assets	328,023	245,891	20,715	1,181
Unfunded Liability (Surplus)	**39,551**	**146,876**	**(7,627)**	**25**

The following are the actuarial estimates at March 31, 2002:

	Gross Pension Obligation 31-Mar-02 ($000)	Pension Assets 31-Mar-02 ($000)	Net Pension Obligation 31-Mar-02 ($000)	Net Pension Obligation 31-Mar-01 ($000)
Civil Service Superannuation Fund	446,244	436,093	10,151	64,281
Teacher's Superannuation Fund	427,650	286,617	141,033	159,180
MLA Pension Fund (Old Plan)	12,036	20,441	(8,405)	(7,274)
MLA Pension Fund (New Plan)	1,702	1,637	65	195
MLA New - Supplemental	2,241	-	2,241	1,956
Senior Compensation Plan	5,403	-	5,403	6,088
Judges Old	3,305	-	3,305	4,415
Judges New	143	-	143	-
Totals	**898,724**	**744,788**	**153,936**	**228,841**

(c) Retirement and Other Benefits

Employees of the Province are entitled to retirement allowances as provided for under collective agreements and terms of employment. Other benefit entitlements include workers compensation funding and payment of insurance policies. The Province obtains actuarial calculations of its liability for future employee benefits.

The following balances are actuarial estimates of future commitments to employees:

	Obligation 31-Mar-02 ($000)	Obligation 31-Mar-01 ($000)
Retirement Pay	44,901	42,263
Insurance Policies	1,666	355
Workers Compensation	14,399	15,309
Totals	**60,966**	**57,927**

(d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2002:

	Current Service Cost ($000)	Interest Cost ($000)	Employee Contributions ($000)	Amortization of Actuarial Adjustments ($000)	Net Cost ($000)
Civil Service Pension Fund	14,766	1,342	(8,596)	(1,022)	6,490
Teacher's Pension Fund	9,971	10,263	(5,484)	(142)	14,608
MLA Pension Fund (Old)	-	(638)	-	(1,075)	(1,713)
MLA Pension Fund (New)	222	5	(118)	8	117
MLA Plan New - Supp	270	156	-	(15)	411
Senior Comp. Pension Plan	283	399	-	(76)	606
Judges Pension Plan Old	51	248	-	(199)	100
Judges Pension PlanNew	28	9	-	18	55
Total Pension	25,591	11,784	(14,198)	(2,503)	20,674
Retirement Pay	2,712	2,907	-	143	5,762
Insurance Policies	188	99	-	76	363
Workers Comp	791	931	-	(91)	1,631
Total Other	3,691	3,937	-	128	7,756
Totals	**29,282**	**15,721**	**(14,198)**	**(2,375)**	**28,430**

Amortization of Actuarial Adjustments is presented in the Statement of Revenue and Expenditure as a separate line item (Pension Adjustment).
A portion of the interest cost of future employee benefits is presented in the Statement of Revenue and Expenditure as a separate line item (Pension Adjustment).
The remaining costs of future employee benefits, including the remaining portion of interest cost, are included mainly in Employee Benefits in the Public Service Commission.

8 Canada Health and Social Transfer

The Province is receiving, from the Government of Canada, supplementary funding under the Canada Health and Social Transfer. The Federal Government has set up a trust fund to administer this program. The Province is recording revenue from this program per the following schedule:

	First Allocation	Second Allocation	Equipment Allocation	Totals
1999-2000	$9.0 million	-	-	$9.0 million
2000-2001	4.5 million	4.5 million	2.3 million	11.3 million
2001-2002	2.2 million	2.2 million	2.2 million	6.6 million
2002-2003	-	2.2 million	-	2.2 million
2003-2004	-	2.2 million	-	2.2 million
Totals	$15.7 million	$11.1 million	$4.5 million	$31.3 million

9 Discontinuance of Provincial Deposit Receipt Program

By Royal Assent the Deposit Receipt (Winding-up) Act was declared on May 29, 1997. No new Provincial Deposit Receipts (PDRs) were issued subsequent to the announcement in 1997 and PDR holders were advised that, effective March 31, 2002, the Province would cease to pay interest on deposit receipts and would redeem all outstanding certificates. During the year ended March 31, 2002 efforts were made to contact all PDR holders to make arrangements for redemption resulting in the redemption of 6.9 thousand certificates (total principal $37.7 million). At March 31, 2002 certificates with a total amount due of $4.2 million (principal and accrued interest) remained uncashed. The amount due on uncashed PDRs is included in Accounts Payable - Goods and Services in Schedule 3.

10 Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted annually to reflect new information as it becomes available. Examples of where measurement uncertainty exists in these financial statements are the calculation of future pension obligations and the provision for losses on loans and accounts receivable.

11 Comparative Figures

Certain 2001 financial statement figures, presented for comparative purposes, have been reclassified to conform with 2002 financial statement presentation.

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Schedules to Statement of Financial Position
as at March 31, 2002

	2002 ($000)	2001 ($000)
1 Bank Advances (Cash and Short Term Deposits)		
Bank Balance	(2,889)	(358)
Uncashed Cheques	28,697	8,330
Term Deposits	-	(3,200)
	25,808	**4,772**
2 Deferred Revenue/Credits		
Motor Vehicle	4,894	4,695
Deferred Pension Charges	24,907	-
General	6,356	12,201
	36,157	**16,896**
3 Accounts Payable		
Goods & Services	54,128	48,759
Government of Canada	8,049	8,749
Due to Agencies, Boards, & Crown Corporations	37,577	34,703
Deferred Salaries	1,430	1,244
Due to Sinking Fund and Special Funds	39,469	46,740
Provision for Losses - Agency Loan Guarantees (Schedule 19)	1,634	4,112
Other	4,233	2,363
	146,520	**146,670**
4 Accrued Liabilities		
Payroll and Benefits		
Payroll	1,216	1,149
Retirement Benefits	46,567	42,618
Workers Compensation	14,399	15,309
Vacation Leave	3,869	3,822
Interest		
Debentures	18,944	19,741
Canada Pension Bonds	4,631	4,929
Other	11	18
	89,637	**87,586**

	2002 ($000)	2001 ($000)
5 Short Term Loans		
Treasury Notes	110,000	110,000
Provincial Deposit Receipts - Principal	-	37,737
Provincial Deposit Receipts - Interest	-	10,536
	110,000	**158,273**
6 Obligation Under Capital Leases		
Hillsborough Bridge	-	21,735
Law Court Buildings	5,369	5,550
	5,369	**27,285**
7 Loans Payable		
Federal Secured by Debentures		
School Construction Program	1,073	1,528
Land Development Corporation	667	1,333
Charlottetown Area Pollution Control	47	90
Summerside Regional Development Corporation	55	80
Summerside Sewage Disposal	11	36
	1,853	**3,067**
8 Pension Obligations		
Civil Service Superannuation Fund	10,151	64,281
Teachers' Superannuation Fund	141,033	159,180
MLA Pension Fund (Prior Plan)	(8,405)	(7,274)
Pension Plan for Members of the Legislative Assembly	65	195
Other Pension Plans	11,092	12,459
	153,936	**228,841**

9 Debentures and Sinking Funds

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt	Sinking Fund	Net Funded Debt
Public and Private Issues:						
30-Apr-92	30-Apr-02	9.750%	10	45,943	8,866	37,077
04-Jul-77	04-Jul-02	9.500%	25	2,991	4,680	(1,689)
01-Dec-78	01-Dec-03	10.250%	25	2,367	2,097	270
18-Apr-79	18-Apr-04	10.625%	25	4,526	3,836	690
15-Jun-94	15-Jun-04	9.375%	10	59,058	9,601	49,457
15-Dec-95	15-Dec-04	7.769%	20	10,355	-	10,355
03-Apr-86	03-Apr-06	10.625%	20	33,298	11,771	21,527
15-Jan-87	15-Jan-07	9.875%	20	30,186	9,580	20,606
03-Oct-97	03-Oct-07	6.000%	10	35,000	3,255	31,745
22-Jun-88	22-Jun-08	11.375%	20	47,980	15,965	32,015
01-Dec-88	01-Dec-08	10.750%	20	44,687	13,951	30,736
16-Aug-90	16-Aug-10	11.500%	20	60,000	14,833	45,167
14-Mar-91	14-Mar-11	11.000%	20	50,000	11,184	38,816
19-Sep-91	19-Sep-11	11.000%	20	50,000	10,508	39,492
17-Dec-92	17-Dec-12	9.750%	20	50,000	8,591	41,409
18-Mar-93	18-Mar-13	9.250%	20	60,000	11,751	48,249
27-Oct-95	27-Oct-15	8.500%	20	75,000	9,121	65,879
15-Dec-93	15-Dec-23	8.500%	30	60,000	10,456	49,544
21-Feb-00	21-Feb-30	6.800%	30	80,000	2,503	77,497
29-Jan-02	29-Jan-32	6.250%	30	100,000	-	100,000
				901,391	162,549	738,842
Canada Pension Plan Issues						
1982-83	2002-2003	14.240%	20	11,360	-	11,360
1983-84	2003-2004	11.670%	20	11,135	-	11,135
1984-85	2004-2005	13.210%	20	10,500	-	10,500
1985-86	2005-2006	11.230%	20	8,975	-	8,975
1986-87	2006-2007	9.560%	20	13,526	-	13,526
1987-88	2007-2008	9.950%	20	10,010	-	10,010
1988-89	2008-2009	10.090%	20	9,703	-	9,703
1989-90	2009-2010	9.660%	20	10,544	-	10,544
1990-91	2010-2011	10.770%	20	9,603	-	9,603
1991-92	2011-2012	9.930%	20	9,794	-	9,794
1992-93	2012-2013	9.340%	20	6,971	-	6,971
1998-99	2018-2019	5.930%	20	376	-	376
1999-00	2019-2020	6.450%	20	7,332	-	7,332
2000-01	2020-2021	6.640%	20	9,136	-	9,136
2001-02	2021-2022	6.563%	20	11,374	-	11,374
				140,339	-	140,339
Total Debentures and Sinking Fund				**1,041,730**	**162,549**	**879,181**
Debt Reduction Fund					**85,913**	
Total Sinking Fund and Debt Reduction Fund					**248,462**	

The debentures listed on this schedule have been issued in Canadian dollars.

Canada Pension Plan debentures are callable by the Federal Minister of Finance on six months notice. No calls have occurred to date and none are expected.

	2002 ($000)	2001 ($000)
10 Accounts and Taxes Receivable		
Taxes	53,498	48,412
Government of Canada	23,273	29,836
Agencies, Boards and Crown Corporations	16,574	7,547
Interest	2,398	1,999
Other	8,233	10,512
	103,976	98,306
Provision for Doubtful Accounts (Schedule 19)	(3,460)	(1,700)
	100,516	**96,606**
11 Treasury Advances		
Employee Computer Purchases	655	491
Cash Floats	16	17
Nova Scotia Health Advance	535	535
Salary	-	2
	1,206	**1,045**
12 Inventories		
Land, Tax Sales	88	82
	88	**82**
13 Investments		
Summerside Regional Development Corporation	2	2
Charlottetown Area Development Corporation	2	2
	4	**4**

	2002 ($000)	2001 ($000)
14 Loans Receivable		
Debentures - Long Term		
Charlottetown Area Development Corporation	8,026	7,781
Charlottetown Area Pollution Control	61	102
City of Summerside	13	37
Communities 13 Inc	985	-
Community Development	23	27
Gateway Village Development Inc	608	647
Golf Links PEI	8,805	8,686
P.E.I. Business Development Inc	18,801	11,561
P.E.I. Grain Elevators Corporation	-	15
P.E.I. Housing Corporation	20,010	21,425
P.E.I. Lending Agency	132,074	120,899
P.E.I. Liquor Control Commission	5,077	3,443
Stratford Pollution Control Commission	88	124
Summerside Regional Development Corporation	538	110
Tourism PEI	-	181
	195,109	175,038
Debentures - Short Term		
P.E.I. Business Development Inc	2,600	7,083
P.E.I. Lending Agency	10,000	12,125
	12,600	19,208
Total - Debentures	207,709	194,246
Provision for Doubtful Accts (Schedule 19)	(18,936)	(12,235)
Net Debentures	188,773	182,011
Other Loans		
School Board Computer Loans	145	323
Island Waste Management Corporation	9,500	-
	198,418	**182,334**
15 Deferred Charges		
Debenture Discount	5,957	5,398
Deferred Pension Charges	-	36,202
Prepaid Expenses	3,329	4,276
	9,286	**45,876**

16 Tangible Capital Assets (unaudited)

	Buildings ($000)	Leasehold Improvements ($000)	Roads and Bridges ($000)	Motor Vehicles ($000)	Equipment ($000)	Other ($000)	Total ($000)
Balance, beginning of year	57,548	6,416	777,919	33,697	10,138	33,896	919,614
Additions	1,527	-	22,875	1,878	2,355	-	28,635
Disposals	(95)	-	-	(428)	-	-	(523)
Adjustments	(6,686)	-	-	(10,255)	6,474	12,467	2,000
Balance, end of year	52,294	6,416	800,794	24,892	18,967	46,363	949,726
Accumulated Amortiz.,beginning of year	20,091	348	482,367	26,049	6,286	16,640	551,781
Amortization 2001-2002	1,350	174	15,160	1,021	3,161	1,503	22,369
Adjustment for Disposals	(23)	-	-	(263)	-	-	(286)
Other Adjustments	6,304	-	13,590	(8,165)	2,855	8,157	22,741
Accumulated Amortization, end of year	27,722	522	511,117	18,642	12,302	26,300	596,605
Net Book Value	**24,572**	**5,894**	**289,677**	**6,250**	**6,665**	**20,063**	**353,121**

Tangible capital assets are valued at historical cost, or estimated cost where historical cost information is not available.
This schedule does not include balances for land. The Province is gathering historical cost information on land for inclusion in future Public Accounts.
Amortization is calculated using the straight line and declining balance methods (see note 2g).
Adjustments to historical cost result from review of costs of assets purchased in prior years and the presentation of those costs in this schedule.
Adjustments to accumulated amortization result from adjustments to historical cost and a change in the rate of amortization for buildings and bridges from 2.5% per year to 5% per year and for heavy motor vehicles from 10% per year to 15% per year.
The totals for capital expenditures on the Statement of Capital Revenue and Expenditure do not relate to capital addition totals on this schedule due to the fact that the policy for inclusion of assets in this schedule differs from the policy for classifying capital expenditures in the Operating Fund (see Note 1b)

17 Trust Funds

BALANCE		Cash and Receivables	Investments	Liabilities	Balance of Fund
Cable Replacement Fund		59	3,384	-	3,443
Civil Service Superannuation Fund		1,660	435,294	861	436,093
M.L.A.'s Pension Fund (Old Plan)		61	20,452	72	20,441
Pension Plan for M.L.A.s (New Plan)	1	55	1,594	12	1,637
Public Trustee (unaudited)		1,308	6,831	7,982	157
Supreme Court		1,296	-	1,227	69
Teachers' Superannuation Fund	2	1,161	279,765	626	280,300
Utility Capital Replacement Fund		266	-	-	266
Totals		**5,866**	**747,320**	**10,780**	**742,406**

CONTINUITY		Balance 31-Mar-01	Revenues	Expenditures	Balance 31-Mar-02
Cable Replacement Fund		3,309	134	-	3,443
Carnegie Endowment Fund	3	103	2	105	-
Civil Service Superannuation Fund		391,645	63,956	19,508	436,093
M.L.A.'s Pension Fund (Old Plan)		20,172	1,478	1,209	20,441
Pension Plan for M.L.A.s (New Plan)	1	1,411	249	23	1,637
Public Trustee (unaudited)		90	70	3	157
Supreme Court		45	47	23	69
Teachers' Superannuation Fund	2	281,994	25,000	26,694	280,300
Utility Capital Replacement Fund		337	13	84	266
Totals		**699,106**	**90,949**	**47,649**	**742,406**

1 - As at December 31, 2001

2 - As at June 30, 2001

3 - An Order-in-Council (EC2002-273) dated May 28, 2002 has appointed the University of Prince Edward Island as the administrator of the Carnegie Endowment Fund. Proceeds from the redemption of the Fund's investments were paid to the University.

Trusts administered by the Province on behalf of other parties are excluded from the reporting entity.

18 Guaranteed Debt

	Principal Guaranteed ($000)	Outstanding 31-Mar-02 ($000)	Outstanding 31-Mar-01 ($000)
1 Lines of Credit / Demand Loans	6,400	4,111	4,431
2 Debentures / Capital Loans	65,596	21,210	17,475
3 Student Loans	4,997	4,997	-
Total Guaranteed Debt	**76,993**	**30,318**	**21,906**

	Maturity Date	Interest Rate	Principal Guaranteed ($000)	Outstanding 31-Mar-02 ($000)	Outstanding 31-Mar-01 ($000)
1 Lines of Credit / Demand Loans					
P.E.I. Grain Elevators Corp.	31-Dec-02	Prime	2,500	711	1,431
Island Waste Management	06-Jun-02	Prime - 1/4	500	-	-
S'Side Regional Dev Corp	31-Jan-05	Prime	3,000	3,000	3,000
South Shore Community Org	01-Dec-04	Prime - 1/4	400	400	-
			6,400	**4,111**	**4,431**
2 Debenture / Capital Loans					
Prince County Hospital	04-Dec-08	5.375%	391	137	153
Ch'town Area Dev. Corp.	15-May-13	5.781%	11,800	10,454	10,835
Town of Souris	01-Feb-03	5.375%	20	1	2
Village of Tignish	01-Jan-03	5.125%	16	1	2
Village of Crapaud	01-Dec-03	5.375%	9	1	1
PEI Energy Corporation	06-Mar-17	Prime - 1/2	9,360	9,129	5,732
Island Waste Management	28-Aug-02	Prime	1,900	1,487	750
Island Waste Management	31-Oct-02	Prime	30,000	-	-
Atlantic Technology Centre	31-Aug-17	6.620%	12,100	-	-
			65,596	**21,210**	**17,475**

Both principal and interest are guaranteed for loan guarantees and debenture share issues. During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

3 Student Loans

Effective August 1, 2001 the Province entered into an agreement with Credit Union Central of PEI for the funding and delivery of the PEI Student Loan Program. All provincial student loans issued under this new program are guaranteed by the Province. As at March 31, 2002 the total loans issued and guaranteed under the new program was $5 million.

Prior to August 1, 2001 the Province paid a risk premium, in lieu of providing loan guarantees, to banks who provided student loans. As an exception, a loan guarantee is provided to lendors by the Province for loans which meet defined conditions. Due to the nature of the old student loan program the total amount of outstanding loans, guaranteed by the Province per the defined conditions, is uncertain. For those loans undertaken by the Province per loan guarantees under the old program $474 thousand (2001 - $361 thousand) remains unpaid at March 31, 2002.

Subsequent to March 31, 2002, the Province applied PEI Debt Reduction Grants in the amount of $171 thousand and Canada Millennium Grants in the amount of $1.3 million towards the guaranteed amount of provincial student loans.

19 Continuity of Provision for Doubtful Accounts

	Provision 31-Mar-01 ($000)	Written Off During Year 2001-02 ($000)	Increase Provided 2001-02 ($000)	Provision 31-Mar-02 ($000)
Accounts Receivable:				
Provincial Taxes				
Provincial Sales Tax	1,471	643	782	1,610
Real Property Tax	229	64	100	265
Transportation and P.W.	-	-	1,585	1,585
	1,700	707	2,467	3,460
Loans Receivable:				
P.E.I. Business Dev. Inc.	5,882	-	4,914	10,796
P.E.I. Lending Agency	6,353	1,063	2,850	8,140
	12,235	1,063	7,764	18,936
Loans Guarantees:				
P.E.I. Business Dev. Inc.	4,062	3,003	525	1,584
P.E.I. Lending Agency	50	-	-	50
	4,112	3,003	525	1,634
Totals	**18,047**	**4,773**	**10,756**	**24,030**

The Provision for Doubtful Accounts for Accounts Receivable is deducted from Accounts Receivable in Schedule 10.
The Provision for Doubtful Accounts for Loans Receivable is deducted from Loans Receivable in Schedule 14.
The Provision for Doubtful Accounts for Loan Guarantees is included in Accounts Payable in Schedule 3.

20 Schedule of Debentures Issued and Matured

ISSUED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Price Received
Operating Fund					
Provincial Debenture	29-Jan-02	6.25%	29-Jan-32	**100,000**	99.49
Sinking Fund					
Canada Pension Plan	01-Apr-01	6.52%	02-Apr-21	1,272	100.00
	01-May-01	6.71%	01-May-21	1,472	100.00
	01-Jun-01	6.85%	01-Jun-21	1,520	100.00
	02-Jul-01	6.73%	03-Jul-21	953	100.00
	04-Aug-01	6.74%	07-Aug-21	848	100.00
	01-Sep-01	6.48%	04-Sep-21	793	100.00
	01-Oct-01	6.90%	01-Oct-21	798	100.00
	02-Nov-01	6.38%	02-Nov-21	764	100.00
	01-Dec-01	6.44%	03-Dec-21	443	100.00
	04-Jan-02	6.43%	04-Jan-22	537	100.00
	01-Feb-02	6.38%	01-Feb-22	543	100.00
	01-Mar-02	6.40%	01-Mar-22	1,431	100.00
				11,374	
Total Debentures Issued				**111,374**	

MATURED/CALLED	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Amount Matured ($000)
Operating Fund					
Provincial Debenture	15-Dec-95	7.769%	Quarterly	25,000	**3,259**
Sinking Fund					
Canada Pension Plan	01-Apr-81	13.66%	01-Apr-01	1,272	1,272
	01-May-81	13.69%	01-May-01	1,472	1,472
	01-Jun-81	15.69%	01-Jun-01	1,520	1,520
	02-Jul-81	14.81%	02-Jul-01	953	953
	04-Aug-81	15.31%	04-Aug-01	848	848
	01-Sep-81	17.01%	01-Sep-01	793	793
	01-Oct-81	17.00%	01-Oct-01	798	798
	02-Nov-81	17.51%	02-Nov-01	894	894
	01-Dec-81	15.93%	01-Dec-01	443	443
	04-Jan-82	14.51%	04-Jan-02	537	537
	01-Feb-82	15.50%	01-Feb-02	543	543
	01-Mar-82	16.10%	01-Mar-02	1,431	1,431
					11,504
Provincial Debenture	15-Dec-81	16.250%	15-Dec-01	13,488	13,488
	12-Dec-84	12.750%	12-Dec-04	31,352	31,352
					56,344
Total Debentures Matured / Called					**59,603**

PROVINCE OF PRINCE EDWARD ISLAND

Operating Fund
Schedules to Statement of Revenue and Expenditure
for the year ended March 31, 2002

Revenue	2002 Unaudited Estimate ($000)	2002 Unaudited Forecast ($000)	2002 Actual ($000)	2001 Actual ($000)
21 Taxes				
Personal Income Tax	153,600	156,390	156,385	141,425
Sales Tax	156,434	157,309	158,466	153,021
Real Property Tax	46,300	48,272	48,553	45,237
Gasoline Tax	34,000	32,700	32,239	32,942
Corporate Income Tax	28,521	22,555	27,046	36,484
Health Tax on Tobacco	15,000	17,141	17,487	14,297
Health Tax on Liquor	10,548	10,882	10,982	10,408
Insurance Premium Tax	5,200	5,500	6,195	5,944
Corporation Capital Tax	1,650	1,650	1,678	1,464
Environment Tax	200	250	281	266
Fire Prevention Tax	250	250	345	249
	451,703	**452,899**	**459,657**	**441,737**
22 Licenses and Permits				
Motor Vehicle Registry	10,982	11,900	11,366	11,112
Registration and Licensing Act	575	575	652	675
Securities Act	1,000	1,400	1,610	1,452
Security Brokers and Salesmen Licenses	700	980	1,114	1,047
Other	1,845	2,037	1,975	2,022
	15,102	**16,892**	**16,717**	**16,308**
23 Fees and Services				
Patient Fees	9,495	9,850	10,414	9,553
Housing Rental	4,407	4,458	4,460	4,407
Special Project Fund	9,499	10,183	7,853	20,229
Waste Reduction Program	2,626	2,626	-	-
Land Title and Registry Fees	1,400	1,400	1,862	1,614
Fines and Penalties	635	635	636	591
R.C.M.P. Recoveries	710	710	700	703
Campground Fees	520	663	667	637
Third Party Insurance	1,500	1,700	1,906	1,558
Probate Court Fees	1,022	1,022	1,012	1,034
Other	6,436	6,326	5,309	6,573
	38,250	**39,573**	**34,819**	**46,899**
24 Sales				
Lottery Revenue	15,000	15,000	14,250	14,174
Liquor Control Commission	10,799	10,776	10,178	10,035
Other	2,514	2,385	2,593	2,555
	28,313	**28,161**	**27,021**	**26,764**

	2002 Unaudited Estimate ($000)	2002 Unaudited Forecast ($000)	2002 Actual ($000)	2001 Actual ($000)
25 Investment Income				
PEI Business Development Inc	1,323	1,146	1,127	1,137
PEI Lending Agency	7,030	7,320	8,315	7,420
PEI Housing Corporation	2,448	2,431	1,728	2,572
Other	1,613	1,543	2,499	1,448
	12,414	**12,440**	**13,669**	**12,577**
26 Government of Canada				
Equalization	275,000	282,304	282,304	270,328
Canada Health and Social Transfer	87,755	86,648	88,905	76,707
Economic Regional Development Agreement	160	889	702	4,320
Housing Programs	2,070	2,130	2,096	2,149
Young Offenders Services	2,293	2,293	2,435	2,183
Minority & Second Language	4,959	4,959	4,959	2,090
French Service Agreement	1,643	1,635	1,454	1,801
Infrastructure Program	2,146	3,750	3,954	-
Statutory Subsidy	674	674	674	674
Rehabilitation Programs	1,000	625	775	743
Atlantic Freight Transition Program	450	412	365	106
Community and Labour Market Development	3,552	3,552	3,604	4,206
Agriculture and Agri-Food Canada	-	-	505	13,398
Potatoe Seed Quality Improvement Program	-	720	739	862
Canadian Health Infrastructure Partnership	-	1,578	1,578	-
Other	8,275	7,747	5,409	3,910
	389,977	**399,916**	**400,458**	**383,477**

Expenditure

27 Agriculture and Forestry				
Department of Agriculture and Forestry	32,822	32,229	31,349	51,223
P.E.I. Grain Elevators Corp.	165	165	165	316
	32,987	**32,394**	**31,514**	**51,539**
28 Development and Technology				
Department of Development and Technology	6,715	7,762	8,324	13,387
Technology Asset Management	1,631	1,631	1,631	495
P.E.I. Business Development Inc.	28,439	29,139	28,859	44,384
Employment Development Agency	3,693	5,258	5,074	5,129
P.E.I. Energy Corporation	730	600	313	299
	41,208	**44,390**	**44,201**	**63,694**

	2002 Unaudited Estimate ($000)	2002 Unaudited Forecast ($000)	2002 Actual ($000)	2001 Actual ($000)
29 Education				
Department of Education	199,133	200,345	201,939	191,126
Island Regulatory & Appeals Commission	1,065	1,065	1,065	1,065
	200,198	**201,410**	**203,004**	**192,191**
30 Health and Social Services				
Department of Health and Social Services	344,867	352,302	350,432	328,405
East Prince Health Facility	13,000	19,424	20,142	5,895
	357,867	**371,726**	**370,574**	**334,300**
31 Provincial Treasury				
Department of Provincial Treasury	19,047	18,685	18,249	16,891
General Government	7,570	7,705	6,468	6,749
P.E.I. Lending Agency	812	734	734	786
Council of Maritime Premiers	184	184	184	184
Interministerial Women's Secretariat	345	344	322	317
	27,958	**27,652**	**25,957**	**24,927**
32 Public Service Commission				
Public Service Commission	5,284	5,302	5,300	5,320
Employee Benefits	10,738	15,136	15,953	15,895
	16,022	**20,438**	**21,253**	**21,215**
33 Tourism				
Department of Tourism	163	97	90	139
Tourism PEI	10,745	11,703	11,703	10,110
	10,908	**11,800**	**11,793**	**10,249**
34 Pension Adjustment				
The following components of the Pension Adjustment are non-cash items:				
Amortization of Actuarial Adjustments	3,000	-	2,375	(112)
Interest on Pension Obligations	-	-	(11,058)	-
	3,000	**-**	**(8,683)**	**(112)**

35 Reclassification of 2001 - 2002 Budget Estimates

	2001 Estimates Book ($000)	Reclassifications ($000)		2002 Estimates Book ($000)
REVENUE				
Taxes	451,703			451,703
Licenses and Permits	12,414			12,414
Fees and Services	38,250			38,250
Sales	15,102			15,102
Investment	28,313			28,313
Government of Canada	389,977			389,977
Capital Revenue	425			425
Sinking Fund Earnings	21,550			21,550
Pension Plan Adjustment	3,000			3,000
Total Revenue	**960,734**			**960,734**
EXPENDITURE				
Agriculture and Forestry	32,776	211	1/2/3	32,987
Attorney General	28,681	661	1/4	29,342
Auditor General	1,229	35	1	1,264
Community and Cultural Affairs	18,161	116	1/4	18,277
Development and Technology	41,347	(139)	1/2	41,208
Education	198,250	1,948	1	200,198
Executive Council	2,266	590	1/3	2,856
Fisheries, Aquaculture and Environment	7,950	133	1	8,083
Health and Social Services	353,443	4,424	1	357,867
Legislative Assembly	3,067	36	1	3,103
Provincial Treasury	37,023	(9,065)	1	27,958
Public Service Commission	15,915	107	1	16,022
Tourism	10,797	111	1	10,908
Transportation and Public Works	70,300	808	1	71,108
Capital Expenditure	28,956	24	1	28,980
Interest Charges on Debt	108,972			108,972
Total Expenditure	**959,133**			**959,133**
Budgetary Surplus	**1,601**			**1,601**

1 - Funding for Salary Negotiations ($9 million) transferred from Provincial Treasury to other Departments.
2 - Funding for Forestry Programs ($409 thousand) transferred from Development and Technology to Agriculture and Forestry
3 - Funding for Acadian and Francophone Affairs ($526 thousand) transferred from Agriculture and Forestry to Executive Council.
4 - Funding for Administrative Expenses of the Assistant Deputy Attorney General ($87 thousand) transferred from Community and Cultural Affairs to Attorney General.

This schedule outlines the changes in the Province's 2001-2002 Budget resulting from the re-allocation of funds within Departments. The information is taken from the Province of PEI Estimates of Revenue and Expenditure for the years 2001 and 2002. The column under 2002 Estimates Book is the budget information provided in the Statement of Revenue and Expenditure under "2002 Unaudited Estimate".